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ROGER PEARSON
General Editor

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CONTENTS

Missile Defense: A Blueprint for Early Deployment of SDI
By Robert C. Richardson, III 259

NASA Funding and Expenditures
By Klaus P. Heiss 273

Factors Blocking Democratic Reform in the PRC
By Donald J. Senese 289

The Islamic Banking System in Iran and Pakistan
By Mohsin S. Khan and Abbas Mirakhor 317

Venezuela's Economic Crisis: Origins and Successes in Stabilization
By Robert E. Looney 327

Britain as a Base for Revolution
By Wesley G. Lawrence 339

The Socio-Political Impact of "Rock" Music
By John A. Henderson 349

Book Reviews 357

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MISSILE DEFENSE:
A BLUEPRINT FOR EARLY DEPLOYMENT OF SDI

By Robert C. Richardson, III

In 1982 President Reagan was told that a reasonably (85%) effective, layered, missile defense could be built and deployed in 6 years. This was based on a study called High Frontier(1) which perceived such a system as being technically feasible at that time. Deployment of missile defenses would then have required only a decision to initiate the necessary engineering, testing, and procurement actions. The first terminal defense layer High Frontier recommended could then have been deployed in two years, and the mid-course, space-based, and boost-phase intercept layers in 6 years or less.

In March of 1983 President Reagan adopted, in principle, the High Frontier recommendations. This was to counter the Soviets continuing buildup of offensive missiles by abandoning the strategy of Mutual Assured Destruction (MAD) and adopting a strategy of Assured Survival based upon defenses against the Soviet missile threat. He then elected, however, to limit the initial U.S. program to researching ways and means by which this could be done. The Strategic Defense Initiative (SDI) was created to undertake this research.

In 1983, the American High Frontier group welcomed the President's historic SDI speech and his decision to proceed in the general direction they had recommended in their 1982 Report. Since it was never the intent of the original High Frontier Study to specify what specific defensive systems should be adopted, but only to illustrate that such defenses were technically feasible and affordable, the need for a major Government/Industry review of technological possibilities before selecting systems to be built was recognized.

Although High Frontier then had some reservations about limiting the SDI effort to "research only," instead of calling from the outset for deployment of the defenses and making the research only a first phase step, we assumed that the realization of the President's goals would lead to a decision to build and deploy actual defenses as soon as our findings of technical feasibility were confirmed by government and industry, and suitable systems were identified by SDI.

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Unfortunately, the assumptions in this respect appear to have been wrong. Today, four years after High Frontier reported its conclusions and three years after the President's decision to build missile defenses, the Reagan Administration is still "researching" feasibility. And this notwithstanding the fact that during this time 4.6 billion dollars were appropriated for research, and 3.6 billion dollars of these have been spent. In addition, the SDI program resulted in numerous industry proposals that have made it quite clear that very effective – if not perfect – defenses could have been built and deployed at any time if the Administration had had the courage to decide to do so.

The reasons for this situation are obvious if not justifiable. Egged on by "doomsday" advocates, MAD partisans, the ABM Treaty supporters, and proponents of offensive nuclear missiles systems, a 99.9% effectiveness requirement was established by the Fletcher Commission(2) that was created in 1983 to review missile defense feasibility and provide guidelines for the initial SDI research program. This demand for an almost impermeable "umbrella over America," as the only acceptable alternative to nuclear "nudity" under MAD, made certain that several decades of research, and the invention of "Star Wars" type of weaponry, would be required before any real defenses could actually be built – if ever!

99.9% effectiveness was a ridiculous requirement clearly designed to sabotage the President's program by killing it or, at best, turning it into an open-ended research "pork barrel." No military defense, or offense, capability has ever achieved, or come near to achieving 100% effectiveness. But, what is more important, is the fact that no such level of perfection is remotely required to achieve the High Frontier and Reagan goals.

The proposed new strategy, based on missile defenses, was never intended to provide absolute protection against missiles. As clearly stated in the President's 1983 speech, the goal was to perpetuate deterrence of Soviet nuclear attack – especially of a First Strike – in an environment wherein the strategic balance was shifting to the Soviet side and U.S. defense spending was restricted by deficit considerations. The alternative was, and remains, a multi-billion dollar MAD nuclear arms race to stay abreast of the Soviet buildup, or acceptance of U.S. milittary inferiority with all this implies for Soviet blackmail poten-

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tial, and the future security of the U.S. and of its allies. As the President said in his speech: (3)

> The strategy of deterrence has not changed. It still works. But what it takes to maintain deterrence has changed. It took one kind of military force to deter an attack when we had far more nuclear weapons than any other power – it takes another kind now that the Soviets, for example, have enough accurate and powerful nuclear weapons to destroy virtually all our missiles on the ground.

In addition to maintaining deterrence, the new strategy was also to provide as much protection as possible in the event deterrence ever failed or a missile accident – a military Chernobyl – were to occur. Governments are responsible for the protection of their people and for trying to save lives in wars or other disasters. The strategy known as Mutually Assured Destruction (MAD) and the signing of the ABM Treaty in fact made the U.S. public hostages to Soviet intentions, and in the process guaranteed there would be maximum loss of life in the event of wars or accidents. Both of these may be described as irresponsible and morally unacceptable to civilized societies. Building missile *defenses* would correct this situation.

Another factor that has impeded progresss in deploying missile defenses, notwithstanding the availability of cost effective systems, was the failure of the President to boldly recognize in his 1983 speech that the ABM Treaty is a "creature" of the Mutual Assured Destruction (MAD) strategy he proposed to replace. Without MAD the Treaty is meaningless – it makes no sense. Unfortunately and no doubt for tactical political reasons, the President failed to recognize this when he launched SDI. He chose instead to "sneak up" on the elimination of the Treaty by emphasizing that the "research only" he called for in 1983 need not violate it.

Failure to state from the outset that the ABM Treaty would have to go if his goals were to be achieved – and thus serve notice on the Soviets, and prepare the people and Congress, for this obvious necessity – set the stage for treaty foot-dragging by the State Department and arms control community. This led to debates over the Treaty's interpretation and imposed costly delays in SDI research and testing. It also created an atmosphere in which arms control advocate's "nostalgia" for their "crown jewel" has been exploited by the Soviets and their "useful

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idiots" in America to help them undermine the SDI effort – and with it U.S. security.

Whatever the reasons, we still have no defenses and there is still no decision in sight to build these. When we ask responsible officials why we are not building the systems that could now be built, are readily affordable, and could thus achieve most of the President's 1983 goals, we are told that the SDI experts have not, as yet, identified and recommended these. What is not said but is clearly the case – at least among State Department leaders – is that the Soviets have not as yet agreed to let us defend our people! Our enemies and their fellow travellers in America seem to still have a veto over U.S. security and survival decisions!

Given the 99.9 percent effectiveness required, established by the Fletcher Commission and the fact that SDI is part of the bureaucracy, General Abrahamson, the head of SDI, appears to be trapped in a "chicken and egg" situation. He is in effect told by his political masters, "Don't tell us what you can build until we tell you what you can say, or until you can guarantee 99.9% effectiveness." This allows the foot-draggers and procrastinators in the Administration and the Congress to tell the people and SDI supporters that they will go ahead with the defense program when SDI identifies suitable capabilities to build, knowing these will not be forthcoming until they ask for them!

While the Congress, with its funding decision and the anti-SDI elements in government, mostly in the State Department and among self-serving military bureaucrats, have managed so far to keep the President from achieving his 1983 goals, the gap between U.S. and Soviet military capabilities continues to grow. One only has to glance at the charts published each year in the Defense Department's booklet on Soviet military capabilities to realize how serious this is becoming from a Free World security point of view.

SDI has now become a research pork barrel with no specific milestones in sight. The public's desire to be defended, as reflected in almost all polls – remains ignored. The Soviets, in an unholy alliance with a U.S. minority of MAD advocates, continue to impose their views on the majority of Americans – in true undemocratic fashion!!

In view of this situation High Frontier and its Congressional supporters initiated a recommendation for a near term deploy-

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ment program on 2 October 1986. This program, called SD3 for Strategic Defense Development and Deployment, identifies and calls for building those systems that are now feasible and cost effective. On 13 October 1986, in Iceland, President Reagan reaffirmed his support for strategic defenses by refusing to sell out the program to the Soviets for siren-like offers of reductions in offensive forces.

The Soviets, obviously desperate to stop U.S. research – let alone deployment – of defensive systems had carefully set and baited the trap. Various offers to agree on reductions in offensive nuclear systems, coupled with concessions on human rights, was to create an atmosphere of peace, detente, and arms control that Reagan – so they thought – could not resist. Their final demand: "All this and heaven too if you dump Star Wars; If not you go home empty-handed and take the heat."

Our President showed his metal. He proved conservatives who are afraid he would sell out, and the U.S. liberals and fellow travellers who hoped he would sell out, to be both wrong. The American people supported the President overwhelmingly on his return. Poll after poll showed his popularity and support for SDI had gone up, much to the embarrassment of the diplomats who tried to pursuade him to sell out.

Logic and common sense now suggest that the time has finally come for action. One hurdle – arms control trade-off aspirations – has been somewhat emasculated. The White House would seem to be committed to moving forward towards the President's goals and the people support this. A continued freeze of SDI in the research mode, or reducing SDI to land based defenses of hard targets only, will henceforth be viewed as vacillating or giving in to the Soviets. With 1988 Presidenttial elections coming up, opponents of SDI will continue to accuse the President and his party of missing an historic opportunity for "peace in our time." He can best counter this by now proving that his goals can be achieved.

The U.S. can now demonstrate that protection against Soviet missiles is feasible. We can ensure security, cut the cost of overall defenses, and perpetuate deterrence by beginning to deploy such defenses within the next two years. This effort will guarantee in the forseeable future that no one, least of all the Soviets, can aspire to deny the Free World access to or through space. And, since nothing succeeds like success, the people, when con-

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fident of Reagan's firm intentions and of the new protection given them by these defenses, will acclaim the President for his role in moving the world away from the balance of terror and ultimate nuclear extermination. Those who try to make hay out of criticizing Reagan's rejection of phony Soviet detente and arms control offiers will do so at their peril. History, public opinion and past Soviet actions, are all on the President's side.

The Reykjavik outcome does not mean that the pro-SDI forces have won the day by any means. The people must be made to understand the need for bold actions to implement the President's decision. We cannot allow short term critics to shake confidence in Reagan's foresight. The best way to do this is to get on with the deployment of the system the President refused to postpone indifinitely in Iceland.

Long term U.S. security cannot be a bargaining chip. Nor should public money be wasted on research with no goals in sight. High Frontier's Strategic Defense Development and Deployment (SD 3) was designed to make this clear even before the Iceland meeting. It should now help persuade the timid in Government who would still drag their feet, when it comes to deploying missile defenses, that not only are these needed to perpetuate deterrence, and surviving possible nuclear accidents, but they are now also required if we are to support the President in his decision to reject the superficially attractive Soviet arms control offers in favor of guaranteed security for Americans and their children well into the next century.

Though not officially admitted as yet, it is no secret in Washington or in industry circles that effective defenses can now be built. The President undoubtedly knew this when he refused to sell out his SDI goals merely for another, short-lived, peace effort prize. At their press conference on October 2, High Frontier and Congressional leaders explained that at least two options for each of the three SDI defense layers, are now ready to go. All SDI needs is to get the arms control aspirations and ABM Treaty monkeys off their back and approval and funding to proceed with building some of these.

The Ready Defense Capabilities

The three proposed layers, each with two technical options, are:

1. ground-based, point defense, terminal phase intercept;

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2. ground-based, area defense, exoatmospheric mid-course intercept, and;

3. space-based, area defense, early trajectory and/or mid-course intercept.

1. Ground-Based Terminal Defense

Terminal defenses of hard points are the most quickly deployable. Off-the-shelf technology will support an immediate decision to build one of two relatively simple systems capable of defending hardened military sites such as ICBM silos or command posts. Either system has a probability of kill (PK) of 90% against the first three accurately-aimed and within-range warheads.

System A

Projectile Cloud Gun, a version of the Tround International rapid-fire open chamber gun, fires a high velocity cloud of thousands of hardened dense metal alloy fletchettes. This system is already at the stage of prototype testing by the U.S. Navy for possible ship-board defense against cruise missiles. It has an extraordinary rate of fire and muzzle velocity, with an effective range well beyond the keep-out range of a one-megaton salvage-fused reentry vehicle (RV).

System B

TRACOR Corporation's Swarmjet, a multiple (unguided) rocket launch intercept system. The launcher fires two salvos of one inch rockets, creating the "swarm" which intercepts the RV at effective keep-out ranges for the hardened sites. The rocket carries no explosive warhead, but destroys the RV on impact.

The deployment of either weapon would involve the same emplacement and fire direction scheme at each defended site:

- one hardened radar and fire control system
- three pairs of projectile cloud guns or Swarmjet launchers; one pair in environmental shelter only; two pairs in hardened pop-up shelters
- three triads of range-only radar antennae; with two triads in hardened pop-up shelters.

The cost of this layer is about $50 million for development and $13 million per hard point defended. SD3 assumes defense

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of 200 hard points, mostly missile silos, for a total system cost of about $2.6 billion. This program can be completed in under three years.

The cost of this system can be more than offset in the DoD budget by eliminating the requirement for expensive, passive defense basing of follow-on missiles (MX or Midgetman), and C3 hardening. The program allows for expansion if other layers are delayed for any reason.

The strategic effects of this layer would quickly bring about a sharp drop in Soviet confidence in a successful pre-emptive strike against U.S. retaliatory forces; and a sharp reduction in fallout from very low altitude nuclear detonations, thus offering protection to the population from collateral effects.

As additional SD3 layers are deployed, this layer would become even more effective as it would then have to deal with "leakers" only.

2. Mid-Course Defense, Ground-Based

The second defense layer available for near-term deployment is an exoatmospheric intercept system with mid-course attack capability against individual RVs. The options we propose are either Lockheed's ERIS (Exoatmospheric Reentry Intercept System), or the VM-3 System developed jointly by Vought and Martin-Marietta. Even a limited deployment, 100 launchers at Grand Forks for example, would provide population protection against light or "rogue" attack – or accidental launch – for most of the North American continent. By preferentially defending retaliatory assets or command and control facilities, a limited deployment of this layer can further erode Soviet confidence in the First Strike capability of their ICBM force.

Extended deployments of these systems, i.e. increased numbers of launchers at sites on the east and west coasts, as at Grand Forks, would give an additional measure of defense against submarine-launched ballistic missiles.

System A

Lockheed Corporation's ERIS. ERIS is derived from the dramatically successful Homing Overlay Experiment conducted in June, 1984 by the U.S. Army Strategic Defense Command, in which the homing interceptor destroyed a mock RV launched from thousands of miles away. ERIS will use modified Minute-

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man boosters as the launch vehicle, and can be initially deployed in the old ABM silos at Grand Forks, North Dakota.

System B

VM-3, developed jointly by Vought and Martin-Marietta, is a derivative of the successful ASAT (anti-satellite) technology. Like ERIS, it could be initially deployed in the existing Grand Forks facilities. It has the additional cost-saving advantage of using the retired Pershing I as the booster.

Both ERIS and VM-3 are KEW interceptors launched toward the incoming RV on solid-fuel rocket boosters. The interceptor warhead carries its own data processing unit, infra-red sensors, and small rocket motors to correct its trajectory in flight and steer it directly into the path of the incoming RV. There is no explosive device: the RV is destroyed simply by the tremendous energies released from the collision of two bodies moving at extremely high velocities.

Although the interceptor carries an on-board seeking/homing device, this capability is sufficient only for tracking and correcting onto the target after launch. The gross function of surveillance, target acquisition, and tracking must be carried out by ground-based sensors that are integral to the system. This sensor network will detect the ICBM upon launch and provide altitude and azimuth information to the ERIS or VM-3 batteries giving the trajectory and general projected location of the RV for intercept.

Both systems are able to intercept and destroy RVs hundreds of miles downrange. It is their long range capability that permits large area coverage, or "footprint," allowing a single site to provide protection for most of North America.

Given sufficient priority, an initial operational capability for either of these systems can be achieved in five years at a cost of $3 billion. This includes development and upgrade of current ground-based sensing and tacking systems necessary for intercept. It does not include funds required for new space-borne sensor systems, which are not essential but which could enhance effectiveness.

These mid-course systems are readily applicable to regional defense, e.g. Europe, Japan, and Israel. for instance, one ERIS or VM-3 installation in West Germany, or the Plateau d'Albion in France, would provide population protection and deterrent

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value for all of NATO Europe, to the same degree as for North America, against long-range and intermediate-range ballistic missiles. These defenses could be augmented for Europe by deploying the improved Patriot system for endoatmospheric interception of short-range and tactical ballistic missiles which may threaten that region.

3. Early Trajectory, Space-Based Defense

SD3 calls for two mature technology (KEW) approaches to early trajectory through reentry intercepts. KEW systems cannot be used in the first three minutes of ICBM boost because they would burn up as they entered the atmosphere. Intercepts begin when the target ICBM rises to the edge of the atmosphere – while the bus and RV package are still aboard – and continue through the trajectory of missile, warheads, and decoys (if any).

There are two options which, if given the go-ahead and necessary priority, could be available for initial deployment and testing by 1990.

Both options are derivatives of the original High Frontier concept for non-nuclear interceptor-armed satellites. (The High Frontier system, Global Ballistic Missile Defense or GBMD, was in turn a derivative of the much earlier DoD concept called BAMBI.)

System A

The first option is called GDABM (Global Defense Against Ballistic Missiles), a KEW platform that carries both homing interceptor rockets and a 'pellet cloud gun" capable of firing a huge cloud of high velocity pellets across the trajectory of the target in space. This gun is a revolutionary advance in rapid-fire technology from the firm of Tround International, and is finding many applications to include ground-based defenses as mentioned above. GDABM has been designed for launch by MX boosters. The system would be enhanced by adding new sensors, but can be effective using current upgraded early warning sensors. The satellite's on-board sensing and tracking system will permit autonomous intercepts by each satellite. This design obviates reliance upon a highly centralized surveillance system based on one or two space platforms in geosynchronous orbit, the loss of which would "blind" the interceptor satellites.

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Assuming adequate production of boosters, enough GDABM satellites could be deployed in the next 7½ years to provide a 70% effective defense against a full scale ICBM attack. Full operational capability to attain this level of effectiveness would require 280 launches per year for four years.

System B

Many U.S. corporations are developing concepts for Kinetic Energy Weapons both under contract supported by the Strategic Defense Initiative and under independent research programs. In addition, NASA and the Air Force are developing concepts for heavy lift vehicles based on Saturn and Shuttle-developed hardware. After reviewing many of those, we selected, for System B, a smaller KEW satellite (2,800 pounds) carrying 8 interceptor rockets. Reasonable priority (such as Apollo or Manhattan programs) could yield working hardware in four to six years.

This system can provide at least a 50% effective capability against full scale attack within the next 7½ years, with a deployment of 1,125 satellites, at a rate of one launch per month with forty-nine satellites per launch on the heavy lift vehicle.

The effectiveness percentage of either space-borne system is largely a function of the number of defensive platforms in orbit. Most planning assumptions posit a full scale Soviet attack at around 1,400 missiles. We have calculated the capability of the space layer against that number of ICBMs at 50% to 70% by the end of 7½ years, with the number of satellites indicated.

However, another number variable has to be considered. In reality, a disarming or decapitating first strike against U.S. strategic targets would involve far fewer than 1,400 launhcers. The most likely such attack would be made with the Soviet arsenal of heavy, accurate, counterforce missiles, such as the 308 SS-18s, or about one-third of the theoretical full scale launch. Against this number of attacking missiles, SD3 space elements would achieve a much higher percentate of intercepts. And in all probability Soviet planners would attribute a higher level of effectiveness to the defenses, out of prudence, thus adding to their deterrent value.

Truly effective strategic defenses must include a space-based element, for the simple but compelling military reason that no

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early trajectory intercept is possible without one. Ground-based systems like ERIS are attractive because they are more quickly deployable and obviously less expensive and less logistically demanding than space systems. But such systems, although of great value in deterrence and in defense of population against light attack, do not hold the promise of general defense of the nation inherent in the President's goals.

The space-borne element will greatly increase the overall effectivenesss of the total defense system by sharply filtering the attack, sharply reducing the problem for mid-course and point defenses. This is of special importance to the efficiency of the ground-based regional defenses of our Allies.

The overarching principle which demands the space layer is *synergism*; that is, the whole is equal to more than just the sum of the parts. To get the best protection – and therefor deterrence – against a full-scale attack, we need the synergistic effect of earlier trajectory, mid-course, and terminal phase intercept capabilities.

The SD3 program provides for options after the 7½ year period. The program includes continued research to perfect advanced technology follow-ons to the KEW systems. When and if directed energy weapons or hypervelocity railguns are ready to deploy by 1992-93, the KEW systems in space can either be augmented by DEW, or phased out in favor of the new systems. Alternatively the KEW spacebased defenses can be thickened. Tripling the number of satellites on orbit would push a 50% effectiveness level to 91%.

Other benefits from this layer flow from the critical importance to the U.S. and our Allies of developing space. The economic spinoffs and anticipated breakthroughs in space transportation are related to space systems, not ground-based anti-missile developments.

The costs include development of the defensive system over four years at $.5 billion, and the development of the heavy lift vehicle at $1.5 billion. 1,115 of these satellites will cost approximately $2 billion, with additional costs for launching, support logistics, etc., bringing the total cost for either system for a 7½ year program to a range of $10 billion to $25 billion.

The program that High Frontier and its congressional supporters have proposed for early deployment, offers in summary, the following:

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- In three years, at a cost of $2.6 billion, effective point defenses of 200 hard sites (missile silos, command and control centers).
- In five years, at a cost of $3.0 billion, effective defense of North America from light or "rogue" attack or accidental launch; and preferential defense of retaliatory forces.
- In 7½ years, at a cost of $10-25 billion, a space-borne defense capable of 50-70% effectiveness against a theoretical full salvo of Soviet long-range ballistic missiles, and much higher effectiveness against more realistic attack scenarios.
- All of the above at a total cost not exceeding $30 billion over 7½ years with no annual expenditure over $6.0 billion.
- Continued research on more advanced technologies and auxiliary systems to improve or replace the KEW systems at a cost not to exceed $1.0 billion per year.

By briskly moving to engineer, test, and deploy some of the above, or any other systems DoD and/or industry now deem ready, the U.S. is in a position to preempt the moral and secure high ground. Their cost is minimal given their potential contribution to national and individual survival. And, once deployed, they will permit major reductions in costly offensive nuclear systems which will offset most of their costs. This should please all who are genuinely concerned about the build-up of nuclear weapons.

FOOTNOTES

(1) A project to determine the technical feasibility, economic viability, military soundness, and political acceptability of Strategic Missile Defenses, initiated in 1981 by Lt. Gen. Daniel O. Graham, a pre-election military advisor to President Reagan.

(2) A Commission appointed in 1983, within the U.S. Defense Department, and chaired by Dr. James Fletcher, now head of US-NASA, to first examine within technical feasibility of SDI.

(3) Speech announcing SDI by President Reagan on 32 March 1983.

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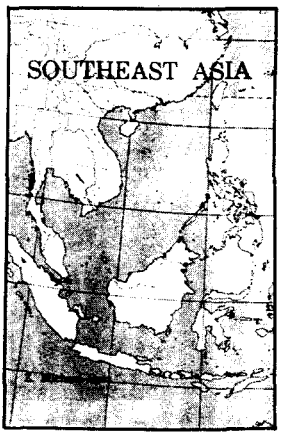

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NASA FUNDING AND EXPENDITURES

By Klaus P. Heiss

The American press has presented a highly inaccurate image of the American Space Program in recent months, and its biased criticisms have been reinforced by slanders of a small but significant number of members of Congress. Few reports have been too slanted, no charges too careless of the facts, not to be blindly repeated without even a minimum of 'Due Diligence' work of investigative reporting, or the usual attempt to present 'the other side's view' of the matter.

For an opening example let us quote from the *New York Times* article headed "Senators Uneasy on NASA," with an opening salvo: "Senators said today that they were disturbed at reports of waste and mismanagement in the Space agency when it was headed by Dr. James C. Fletcher." Again the *New York Times*, under the title, "Escape the NASA Nightmare" (NYT) opened violently, and with a quality of penmanship that virtually matches the opening of Beethoven's Fifth symphony – "The loss of NASA's Challenger was no accident, striking a well-run agency like a bolt from the blue. It sprang directly from 15 years of hidden mismanagement, waste, and fraud that have become routine in NASA operations." Not be be outdone by the *New York Times, The Washington Post* produced the following: "Flubbing Along" under the title "Anyone can make a mistake. But when James Fletcher was head of NASA, he said it would cost $10.45 million each time the agency launched the Space Shuttle . . . In fact the operating cost has turned out to be $151 million . . .". Other article headings included, "NASA Cut or Delayed Safety Spending" (NYT) and "NASA Wasted Billions, Federal Audits Disclose" (NYT).

Problems will surely develop in any large scale technology development program – especially one such as the Shuttle, where admittedly about 40% of all the 'items' had never been undertaken before, pushing technology ahead not just in one area, say re-usable engines, but on at least half a dozen new frontiers (thermal protection, re-usable boosters, hypersonic, unpowered re-entry flight, large oxygen/hydrogen tanks, delta wing designs for all regimes of flight, throttable engines, etc.). Some errors and some mismanagement has occurred and may still occur at NASA. But wholesale scandal? And was Congress

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misled? The answer is a firm "No" to both allegations.

The tepid attempt by the center director at KSC, and more recently by Dr. James Fletcher, to point out the serious damage inflicted on the morale within – and possibly on nationwide support for – the U.S. Space program, had the press jump all over these officials, as if Nixon and the plumbers had taken over the U.S. Space program. No attempt was made to present a balance of views on a program supported by 90% or better of the American public – the conquest of Space.

Since support of the American people for ongoing space research is deeply rooted, and cannot be changed by any argument "why we would be better off in those legendary caves inhabited by our ancestors" – with solar panels and hot tubs to augment the smoky fire as the only concession to technology – nothing but smears and allegations of scandal are left as a means of undermining public support for the nation's Space effort. Since Dr. Fletcher is too kind to stoop to expose his accusers, I will try to do so.

First, as to the alleged, but phony, scandals – the real ones on my list follow in the second part below, so as not give an 'exculpatory' impression – far from it.

1. Shuttle 'Cost Overruns' – Many Billions at that. As a bright and budding Congressman or Senator with future Presidential aspirations and seeking media attention, the 'sure fire thing' is to pick a difficult and challenging technology development program early, oppose it manly, claim future cost overruns (i.e. write the record for future 'foresight– I told you so' leadership), and find a bunch of 'perpetual resident intellectuals' usually from either coast of U.S. academia, who share your prejudices. Thus indeed was the agenda for 'success' laid out by some of the Space Shuttle critics, a program where 40% or more of the components had never been built before. Even 'knowledgeable people', such as former NASA Deputy Administrators, accept blind allegations in the media and Congress about enormous 'cost overruns', and then spend their time writing CYA memoranda to later be leaked to the press while aspiring to still higher office because of their 'foresight'. The media often become unwitting and witting tools in this charade. But the facts are somewhat different. The cost estimates on the Shuttle program – given to Congress in open testimony in 1972, 1973 and to the GAO in numerous 'investigations' requested by stout leaders in Congress to find scandal were

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$6.5 billion in 1970 dollars, with $1 billion deliberately set 'aside' for cost control purposes: contract for $5.5 billion, knowing full well – and to be seen so as part of the Congressional record in 1972 – that the cost would be $1 billion higher.

The actual cost of the Space Shuttle came well within these cost estimates – on an apple to apple and oranges to oranges comparison. Since I made these estimates in 1971 and 1972, and spent many, many hours with the GAO in subsequent years pouring over all the data files, I can state this with certainty. But when being interviewed several years ago by reporters of the then Brinkley show, for over 45 minutes on this very topic – citing congressional testimony to those facts before Senator Proxmire in 1972 and 1973, reports, documents, Congressional records, etc. – not one single second of that interview was presented to the public, either in rebuttal or as part of the "story" as shown on TV. Proxmire made his allegations of cost overruns, and NBC chose helpless rebuttal 'witnesses' who did not know the record – who in fact supported the allegations out of ignorance. All NBC had to do was check and quote testimony given in front of Proxmire some ten years earlier, showing that he was talking nonsense. What a delight this should have been for investigative journalism, but it did not fit 'the agenda of scandal'.

Journalistic 'Truth' takes on a life of its own – if repeated often enough. Congress never reads its own record – it only writes it for quotes to constituents back home, after proper editing. Hopefully some of it will be quotable.

GAO investigations are too often ordered for the headlines they may generate for oneself – not the national purpose or interest. This was certainly the case in respect of the Shuttle cost 'overruns'. The facts are: Congress was told what the Shuttle would cost, and did cost. After 15 years I challenge anyone to show a "cost overrun scandal" when compared fairly to the testimony given by us to Congress on expected Shuttle costs.

Where are the headlines "Shuttle comes in under Costs Predicted Ten Years ago before Congressional Approval of Program"? I am still looking for that forthright journalist – although a voluminous Ph.D. thesis has been writtten since on precisely this topic and is available for reference to any such journalist. The facts are the Shuttle came in within 5% of of predicted costs.

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2. On Shuttle vs. Expendable (rocket) Transportation costs

Again it is a matter of open testimony before Congress and anyone who seriously wants to know about these issues can check that record: total transportation costs for the Shuttle were estimated to be – through 1990 – $12 billion (1970 dollars) while for Expendables the estimate given was $11 billion. I.e. what the press and some members in Congress (scandal-mongers and chasers not dissimilar from ambulance chasers in New York City?) now 'discover' – the transportation cost 'draw' – never was presented to anyone as the reason for proceeding with the Shuttle development – at least not by the study team hired by NASA for an independent assessment then, and headed up by me.

In fact, we stated again and again to Senator Mondale in particular – that fearless opponent of the Shuttle and the American Manned Space program – that the $100 a pound cost number was nonsense, and not to be used meaningfully when considering the Shuttle decision. But no amount of repetition would change the course of a determined leader – the myth of the $100 a pound number has risen again – 14 years later – like Count Dracula.

The claims by GAO that NASA cost estimates were misleading are disingenous – total cost estimates – as well as operatins costs and incremental costs per flight were given, and were so summarised by us. Any amount of detail was documented. Indeed, our reports were the source and starting point of many of the 'findings' by GAO in the mid-seventies.

The studies funded by NASA did result in a drastic change of the technical configuration of the Shuttle – and an equally drastic reduction in the development risk: in today's dollars, probably anywhere from $15 to $25 billion. But that never made any headlines I know of. "NASA Saves $15 Billion and still Gives Nation Advanced Space Shuttle Technology" or "NASA Delivers Shuttle Despite OMB/Congressional Cannibalism" – ever read such headlines?

3. The '60 Flights a Year' Fairytale. Panderers to public opinion (i.e. many a member of Congress) then and now say NASA 'sold' the Shuttle based on '60 flights a year' projections. This is nonsense again. The U.S. Congress was told – in 1972 and 1973 – and even thereafter when it wanted to hear from this independent study group, that the 'break even' level of

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flights per year for a Shuttle system in preference of Expendables was between 25 and 30 flights a year – a number close to the levels of Space activities planned for the second half of the 1980s after full operations of the Shuttle. In addition, we analysed literally hundreds of Space programs – from predominately military to predominately civilian, from large manned programs to entirely unmanned (automated) programs – with and without Space based defense (yes, even then). Nowhere in the record was Congress 'sold' on the Shuttle by our testimony – the decisive one after all – because of a projection of 60 flights a year. Rather the flight level quoted by us – in the record – for the Shuttle to 'break even' was 25 to 30. Perhaps 'investigative' journalism cannot live from headlines such as "NASA Projections of US Space Activities Hit Break-even Mark of Original Space Shuttle Testimony". Yet, this is not to stop the *New York Times* from belatedly alleging 'that NASA originally predicted that it could complete 48 flights a year with three Shuttles, the number it now has left'. This was nonsense again. The number testified before Congress was that a minimum of five orbiters were needed, and may be as many as nine. Where are the headlines – then and now – "NASA Needs Nine Orbiters – Gets Cut Back to Four in 'Compromise'"

4. Quality Control and NASA. And yes, Senator Gore and Mr. Stuart Diamond, the quality control staff of NASA was cut by – say – two thirds over the past 15 years. But that is not the scandal, indeed it may be good management: with no programs to 'monitor' in the 1970s, why hire or maintain quality control staff? The scandal, Senator Gore, is that the Nation's Space program was gutted by two thirds in the 1970s and the Space engineering core of this Nation – quality control and all – was sent selling ice cream and hot dogs in California and on Long Island. Remember those days? Where do we find the headlines in the past two decades "Irresponsible Nixon/Kissinger Administration Slashes Space Program out of Existence" or "NASA Cuts Endanger Future US Space Flights" or "OMB Out to Kill Astronauts on Future Flights"? Where are the investigative reporters pouring over age records of NASA employees, finding a NASA age structure approaching that of a home for the retired? The average age, and peak age group at NASA was between 15 to 20 years in the late 1970s, early 1980s. And where do they report that in that same time the United States

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graduated fewer than 100 aerospace Ph.D.s, over half of them from other nations? It is these 40 or so Ph.D.s on which the security of the United States and the Free World is to depend in the 1980s and 1990s — maintaining that edge of excellence, in lieu of funding and manpower. Indeed we, and many others, did call for an ambitious Space program worthy of the United States in the 1980s — to go with the Shuttle: Where were you, Senator Gore, in the 1970s, when the going was tough? When the programs were at issue that you belatedly discovered quality controllers could indeed have monitored — with excitement and dedication? No scandal there, I bet.

Cut and stretch the Space budget 'they' did: OMB, Congressional Appropriations, GAO investigations galore. Where is the call by the GAO to increase NASA's budget in the 1970s to indeed allow NASA to carry out a responsible RDT&E program? Did you ever hear of OMB budget directives, where an agency is bound to submit requests within certain 'understandings' and 'ceilings', mostly on behalf of requests made by these same newfound 'safety' critics?

As to these cuts:

5. Something wicked indeed happened "On the way to the Bank". First, the $5.5 billion: NASA was 'robbed'. There is no other word for it. A program that was expected — and Congress was told — to cost $6.5 billion was contracted for $5.5 billion and 'on the way to the bank' old-fashioned high way robbery was committed by inflation. Congress and OMB — forever conscious of taxpayers and 'constituents' — held NASA to the $5.5 billion number in current dollars — leading to stretch outs, compromises in development, 'nondestructive' testing and other gobbledygook to cover up what can only be called a scandal: if indeed there is a culprit to the Challenger disaster it is these 'leaders' of U.S. enterprise by green eyeshade management. A dollar 'saved' may be a life lost — but not on my watch at the helm. Yes, NASA should have screamed, and kicked, and 'cried wolf' all the way to and from the bank. It did not do so. But the scandal is not NASA's — the scandal is that of the Government accountants and the media. Again, were do I find the headline "NASA Robbed of $3 Billion in Shuttle Development Funds" or "Congressman 'Foresight' Kills Shuttle Engines 'Test to Failure' Capability" or "NASA Forced to Use 1960s Technology for 1980s Due to Rampant Inflation". But here, 14 years later, the press finds Dr. Fletcher's answer 'glib'. Some-

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thing did happen 'on the way to the bank'. But the press did not want to see that: for one, inflation was supposed to create all these wonderful jobs and, secondly, why make an issue for higher NASA funding when this same money could be given to the orphans and widows (do I see a hidden agenda here?).

But then to accuse the victim – NASA – of scandal (i.e. the $3 billion in 'cost overruns') takes gall. It reminds me of the reported case of a robber of a high school who, injured in the break-in, successfully sued for damages.

6. *New York Times* 'Cost Scandal' Allegations: a Different View of Some 'Specifics'

It is not for me, or anyone I know at NASA, to condone fraud, waste or mismanagement. At NASA, as in other matters of human endeavor, these things do occur. But has it ever occurred to the *New York Times* that some of the GAO investigators may also lack – if not integrity – so at least the requiste IQ and motivation to find true shortcomings, rather than the job their masters ask them to do – namely find and allege scandal if any stretch of the imagination allows one to do so? To talk about 'misleading' and plain failure to see causes, rather than effects of 'overruns', let us see a few examples:

6.1 'Lost Time in Operations' (NYT)

The NYT reports that repeated audits in 1979, 1980, and 1983 found 30% or more of 'idle time' at Rockwell 'wasting' $28 million of NASA money a year: First, the production of Orbiters is cut back, then workers become idle and yet are needed e.g. right now to build replacements and spares. Some of these jobs are highly specialized. Would Congress have us 'fire and hire' workers on an hourly basis? Has anyone of these auditors ever run a business and noticed the sad fact that with a reduced production rate comes the unpleasantness of higher overhead and idle time? Particularly where the next day this same auditor may find that "millions were wasted because no provisions were made for restart of the production lines for Orbiters". May I ask the NYT and GAO whether this nation would not have been better off to 'waste' $1 billion or even $1.5 billion on an 'excess' orbiter in 1982-1986 as proposed, rather than truly have to now 'waste' $2.8 billion on that same item? Where are the headlines "Congress and OMB waste $1.8 Billion in Cost Difference for One Single Orbiter"?

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To accuse Rockwell of wasting Government money on idle time after that same Government cancelled Orbiter production units and stretched remaining procurement to save at least the option of later restart, this *is* the scandal.

And 'wasting' another $6.7 million at General Dynamics for "excessive nonproductivity" – this judgment from a Congressional agency? By this standard three quarters of the Federal bureaucracy would have to be idled, and more would get done! Long live the original intent of the Founding Fathers!

As to the $3.6 million paid over 13 years for rent on a building sold by the Government for $300,000 earlier: What about it? Did the buyer then know that in the middle of the Utah deserts there would be a 13 year requirement by Thiokol? Maybe the Government got too much money with the original $300,000. And by paying the $3.6 million (I presume at or below going market rates) maybe the Government saved untold sums of money if the next best available space was costing 10, 20 or 50% more? If Thiokol had not won the Solids contract, the buyer might have been out of $300,000. Any 'waste' there? The Government's gains are the Government's, private gains are waste – whatever the risk taken? Sounds familiar.

As to spare parts and warehousing: NASA is being accused of wasting $25 million by warehousing 25,800 identical parts in one case with two contractors, while not warehousing $55 million enough stock and equipment according to a 1985 audit. 'Heads' GAO wins, 'Tails' NASA looses. $320 million of equipment was not accounted for over four years at Kennedy Space Center, another $250 million were not 'tabulated' at Marshall – mind you, not stolen etc. – just not tabulated. And this in 1970 of all years.

At Goddard, Johnson and Marshall, 3,779 items valued at a total of $3.1 million were missing by 1974: this in an agency managing hundreds of thousands of items, worth billions of dollars. The GOA, of course, would have the taxpayers hire more auditors – whom else – at a cost of what, $5 million, $10 million? To chase $3.1 million in 3,779 items among three large NASA centers. Would this be cost effective? But it makes some Congressmen and a dwindling number of constituents feel good to read in the *Times* on their way to work in efficient New York subways that their worst fears indeed are true: even NASA and the Space program – so adamantly and resolutely supported by New York City – are wasting our money. Better

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spend the money accountably on mass transit with those 'feeder' tunnels below the East river around 63rd Street – year after year with the programs at either end of those tunnels long ago cancelled. We might find gold – and the future there. Last but not least, the NYT would have us make sure 'the price is right' before any actual work be undertaken on any Space hardware item ("Often NASA allowed contractors to start and sometimes finish projects before costs were determined"). Hear, hear. And worse: "At times, more than $750 million in work was being done without price agreements". Rather than point out how courageous these aerospace contractors are in taking such hugh risks – since the risk is theirs indeed – it becomes an item of criticism! I submit that we would still be stranded at the launch site waiting for the first Shuttle launch under these newfound management principles of Space business – within Government or otherwise. NASA would have missed any one of the launch windows on planetary missions – and the Shuttle would still be but a pile of papers in GAO and Congressional scandal drawers.

Again, this is not to say that waste and mismanagement are not occurring – in the Space program or elsewhere. But the search for imagined and pseudo 'scandal' of the type pursued by the media is hurting the Space program beyond what is reasonable. All of the above 'scandals' – albeit in the limelight of public discussion – are not on my list of true scandals in the pursuit – and non-pursuit – of the U.S. Space program.

So that the reader may not gain the impression of one-sidedness by this writer, I compiled a short list of items, indeed scandals, truly injurious to U.S. interests. I do believe in a free press – even scandal mongering press. Who cannot – after Chernobyl – and the countless, needless deaths because of no instant alarms, allegations of scandals, and political costs to those in power because of the lack of an independent press. So here are some pointers for future Pulitzer prize winners:

Item #1: Solids over Pressure Fed Assist Rockets

In 1972 NASA had the choice of developing a more advanced, pressure fed rocket system to assist the Shuttle during take-off. In a period of U.S. 'negotiations by pre-emptive concessions' (remember 'Peace At Hand' in October 1972, ABM achievements by expansive interpretation and wishful testimony – having failed at the negotiating table, Helsinki, add

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your own pet treaty) NASA 'chose' solids over more advanced technology to save $500 to $1000 million. The cost to the nation today are higher operations cost and higher risks – as known and discussed then. This not to say a Shuttle loss would not have occurred anyhow. But the nation today would have a more advanced, lower cost and lower risk Space Shuttle System. Price tag today: about $30 million a flight, one orbiter lost, and the Space Shuttle grounded for 18 months or more.

Item #2: Cancellation of the Space Tug

Part and parcel of the Space Transportation System recommended by us and NASA included an integral, reusable Upper Stage. This stage was never developed. Instead :

* the United States turned down a European offer to develop the Space Tug – it was too important to national security to be left to some 'softy' Europeans. National security, indeed!

* the Air Force proceeded on an 'Interim Upper Stage' (IUS), costing U.S. taxpayers many billions of dollars and in the meantime several costly failures. Total bill still outstanding, but certainly in excess of $3 billion; two stages (and satellites) lost, others yet to be lost.

* the private sector (McDonnel Douglass) proceeded to develop Payload Assist Modules (PAM As and Ds) at great expense and success – for hundreds of millions of dollars, privately funded;

* NASA proceeded to adapt the Centaur upper stage for (expendable) Shuttle use – and a half way step to what was needed all along – another $2 billion plus and a stage that may never fly – after all – in the Shuttle. In fact, this procurement was mandated by Congress, a first at least in Space matters talk about line item management); it now has been cancelled.

* NASA furthermore enticed a private company to develop the TOSS upper stage, again expendable, again at great private risk and todate a $60 million plus expense, and now limited to a Government market;

* Hughes proceeded to integrate the propulsion system into the spacecraft – obviating the need for some of these interim solutions all together and sending NASA back to the artistry of RfP writing to maintain the need for the

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children of NASA's own creation.

And we still do not have a Space Tug. Scandal indeed. But where are the headlines screaming: "U.S. Space Transportation System Mutilated" or "A Space Rolls Royce Without Wheels" or "A Space Tractor Without a Trailor"?

Item #3: Cancellation of Orbiter V

Any new administration has to go through initiation rites to prove its 'virility' to itself, the media and the public. One is reminded of offerings of virgins to the Gods in times past in similar initiation rites. The Carter administration had its sacrificial victims, among them the Space Shuttle, so opposed by Mondale a few years earlier. Leadership Option 1: cancel the Shuttle; Leadership Option 2: three Shuttles and one Launch Site (Florida); NASA position: Five Shuttles and Two Launch Sites.

As predictable as the sun rises in the East and sets in the West the compromise reached was Four Shuttles and Two Launch Sites. In the process the Shuttle program was ruined. Who ever, in the history of transportation heard of developing an entirely new transportation system, put in place the requisite infrastructure, and then produce four vehicles (four, where NASA and our studies showed anywhere from five to nine Shuttles were needed – one reason indeed being catastrophic loss of one or more Shuttles?) and close thereafter the production lines for the next twenty years(!)?

And again, the administration was told so, and Congress was told so, and the press was told so. But who cared, who would listen? This crime on the U.S. Space program was committed in broad daylight on the footsteps of the White House and Congress – with their active connivance and participation. Where do I find the headlines of investigative journalism: "Production Run on Shuttles Terminated" or "White House 'Deep-Sixes' Future U.S. Space Transportation" or "Administration Bets on 400 Successful Shuttle Flights with Four Vehicles Over Twenty Years" or "Las Vegas Gambling Loose in U.S. Space Policy" or "OMB Imposes $2 Billion Plus Bill for Expendable Backups to 'Save' $500 Million"? Price tag today: many billions of dollars, self-doubt and confusion. ((The $2 billion for Titans, the $500 million for a fifth Orbiter in 1978.)

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Item #4: The Killing of Private Funding for Orbiter V

Again, the record is here for all to read, but it seems not 'palatable' to the agenda of scandals 'qualified' to get media attention. In 1978 some of us set out to bring about the private funding of Orbiter V — a capability clearly needed by the nation, with the additional benefit of keeping production lines open. In early 1982 we submitted a firm proposal to NASA with simple, equitable, mutual understandings typical for such finances in the private sector. One of the largest insurance companies had agreed to bring about such financing, subject that agreement with NASA be reached for such market-oriented financing — with substantial risk and all cost for the Orbiter borne by the private sector. What happened right with this President's clearly expressed desires?

After 18 months of negotiations — late 1981 through summer of 1983 — the Government bureaucracy turned down such private financing "because it was too good a deal for the private sector"! Please read this sentence again! It was not enough for the Government that the private sector would pay the full cost of a 'carbon copy' of Orbiter IV; that the private sector would recover its investment from — and only from — non-Government uses of the Shuttle; that we agreed to 'non-exclusivity', meaning others could also proceed after us to finance orbiters of their own, or expendables for that matter; to have a replacement for a loss of vehicle ("well, we (Government) did not consider this in 1982/3" — testimony in March 1986). It still was "too good a deal for the private sector" — the risks you take do not count, and the costs you incur are not enough. Where are the headlines of investigative journalism then and today, say "Government Sticks Taxpayers with $2.8 billion in Lieu of private Funding of Orbiter in 1982" or "Space Interagency Group (SIG) Runs Amock Against Reagan Directive for Private Involvement in Space Program" or "Government Wants All the Fun in Space — At Taxpayers' Expense"? Price tag to the Government today: $2.8 billion and counting, and no Orbiter V in this decade.

Item #5: NASA Kills Private Titan Launch Backup for Shuttle

Not to limit ourselves to Shuttle financing, the private sector also proceeded in 1982 to finance the Titan 34 Ds as back-ups to the Shuttle system for U.S. and foreign commercial

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customers. We had submitted what we considered a winning proposal to INTELSAT for the largest commercial launch contract ever to be awarded, in the spring of 1983. Indeed, our proposal was so competitive that ArianeSpace, the European competitors slashed about $15 million a launch form their offer – only to still end up on the short end of competition. What happened? NASA, the bold leader of U.S. Space enterprise, intervened with the Air Force (a silent and unsung hero in this matter) to have the Air Force not sign an already prepared Memorandum of Understanding under authority of existing DoD regulations for use of the requisite launch facilities (at our cost). No launch sites – no sale of Titans. Loss to the United States: $500 million plus. Any scandal headlines? Whence 'Investigative Jouralism'? Price tag to the U.S. today: $2 billion to $3 billion on Titan 34-D-7s, and counting.

The Real Scandal: Absence of a Space Program Goal Worthy of the United States

The ultimate scandal of the U.S. Space program – not because of, but in spite of this President – is the absence of a Space goal worthy of this Nation. The one – and todate only – President to set a Space goal worthy of this nation was John F. Kennedy with his decision – borne in the ashes of the Bay of Pigs and the glory of Gagarin's first flight into Space (having turned down a February U.S. manned mission to Space because of a 5% chance of failure!

Where are the headlines of investigative journalism in 1970: "John Ehrlichman Kills Manned Mars Mission without Prior Presidential Directive" or "Agnew Blackmailed by Former Seattle Real Estate Lawyer to Change Space Task Force Recommendation for 1981 Mars Mission" or "Nixon and Kissinger Gut Space Program: Want to Stay 'Four More Years' in Vietnam Instead"? Where were the banner headlines proclaiming "Send Americans to Mars – Get out of Vietnam"? or variations on this theme. Indeed those were the choices, but investigative journalism failed the United States, and the Space program.

Of course, Kissinger would not know then, nor later, the difference between a 'cruise' missile and 'air breathing' missiles – to the great embarrassment of President Ford and red faces all around after Vladivostok. So how could he know where Mars is, or fathom that indeed we could have gone there and

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returned by 1981. Yet what a different United States today if we had done so. Certainly the $100 billion plus spent on our travails in Vietnam from 1969 to 1975 – and the ignominous defeat it brought – would have been better spent for the Mars mission. Some historians might even have mistaken such a choice for what one used to call 'statesmanship' (see Kennedy). Hindsight? Of course not!

On less exalted grounds: where was the clamour for an aggressive Space program to go with a Space Shuttle program in the 1970s – or even 1980s? Where are the cries for expanded, additional Space Telescopes; for large platforms in geosynchronous orbit to beam information to all households of the world – under the Helsinki Accords banner; where are the calls for broader civil remote sensing programs to monitor the world's food crops, for better and earlier distribution of all the 'excess' crops going to waste elsewhere to help the 'Ethiopias" of the 1990s; where is the article demanding a monitoring in real time of the world's forests, range lands, water management with privately built and operated satellites; where is the call for freedom to information beamed from such satellites to the mental 'gulags' of this world; where is the article in the *New York Times* or the *Washington Post* demanding – indeed hounding for – an earlier Space Station deployment to safeguard the U.S. edge in space processing, research and development; where does one find the hugh and cry for supplemental funding of replacement orbiters and spacecraft so that the Soviets cannot sneak massive violations of any and all agreements of SALT I and II and ABM right under our blinded Space eyes and call them circular experimental agriculture patches or hi-fi Stereo test equipment?

Most important, given the massive support of the people for the President's SDI initiative – against the advice of the moral superiority of 'I know better than you dumb reader' media – why not and where are the massive calls by the media to have us now go to Mars – as outlined in the President's Space Commission report? What if NASA indeed would have us conquer Space for the United States – for a measely price tag of $700 billion over 50 (fifty!) years? We will spend more over those years – indeed twice as much – just on diet fads and fat control and tobacco, not to talk of nail polish, lipsticks, baldness remedies.

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Where are the calls that indeed we should set out to homestead and own the resources of Space, to mine the Moon, and Mars, and other celestial bodies, for U.S. enterprise and profit? But then, God foregive, some South Pacific Island republic or – worst of all – the Soviet Union may be left out of their 'fair share' of these enterprises. Well, since they did not pay for these missions, their fair share is zero. And they better get used to the laws of free markets, on Earth and in Space.

Instead, we will hear once more the litany of Gramm, Rudman and Hollings, all the advantages of unmanned (castrated?) Space programs, the 'zero sum' fairy tale illusions of a static and unimaginative, non enterprising, indeed 'conservative' intelligenzia, inbred at Harvard and other institutions of the 'malaise' and the 'guilt' school of enrichment. That enterprise, not redistribution, creates wealth never occurs to 'zero sum' intellectuals.

If the worst comes to worse, claims will be made from time to time that we cannot possibly have any new ideas – hence the end of enterprise (Schumpeter 1944, Harvard; Lester Thurow 1980s, Harvard – where else). We will continue to hear from fearless leaders of public opinion as presented by the media – who will do anything to pander to the expressed and non-expressed perceptions of what the public should think and know.

Yes, the press have proven to be dumb, and stupid, and irresponsible, and unimaginative, and destructive to such a degree so as to stifle, even cripple, the substance of the U.S. Space program. Dr. Fletcher is right – and the media deep on down know it – why else this hugh and cry on 'Bashing the Press'. My heart goes out for the happless media. Any critical and unbiased reader would surmise that 'investigative' journalism is not interested in scandal when it makes a point for private enterprise. It is not interested if the scandal makes a telling case for the philosophy of this President – 'a conservative'. It is not interested where some hard investigative, constructive work is needed, rather than the slipshot, TV commercial length, financial scandal type stories, or murder, or rape, or any other piece that requires some activation of one's own braincells, and work. Scandal has to come cheap, and fit one's own image of the world – or how one wished it were.

If the media persist in their ways and I am sure they will – at

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least have the decency of giving the reader some advance warning – as cigarette packs do – about the poisoning of the mind that is about to take place, and how there is a danger that a naive reading of the article that follows may endanger the Space program and the future of the United States. One such warning label may read "As chairman of the most authoritative scientific committee on the feasibility of SDI, Dr. Fletcher validated the President's intuition on SDI and has proven the NYT wrong – hence we are publishing now on the eve of his confirmation hearings whatever dirt we can find, real, alleged or invented, to destroy his credibility." Or "This publication has opposed the wasteful manned Space program for many years. We now present another epic fiction in our continuing account of man's forlorn attempts at Manned Space flight." But this apparently is beyond "the news that is fit to print".

Yet having said all this, I love Richard Cohen's dispatches from Moscow, and Chernobyl will be everlasting fuel for a 'scandal' seeking Western press to put the fear of God, or at least of critical headlines, into any bureaucrat.

But Space? You missed the boat – and you are beating the wrong horse. If it is not dead already it may soon be. And the loss will be ours: of the media, of your readers, the American people and mine. The American people, and Charles Krauthammer, would have us rather contemplate in person the unique beauty of Earth from the Moon – than have robots do so for us.

The American people and Dr. Fletcher are right, and the 'investigative' press, like the *Washington Post* and *The New York Times,* is wrong: stop dragging up invented scandal and re-direct your minds to constructive criticism of once and future opportunities in Space. Fault NASA and the U.S. Space program for the many 'scandals' of omission – do not invent scandals of petty, financial commission. Then the day may yet come in our generation to do some 'Earth Bashing' from the beauty of the Moon and Space, with the help of *The Lunar Post* and *The Lunar Times*.

So once more we the people meet and ask ourselves which course to take: shall it be 'Mars', or more 'Vietnams' of the 1990s? Dante Alleghieri gave us the answer over 700 years ago: each of his three parts of the Divine Comedy – the Inferno, Purgatory and Paradise point the way, when ending with "le stelle" – the stars.

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FACTORS BLOCKING DEMOCRATIC REFORM IN THE PRC

By Donald J. Senese

The current control exercised by Deng Xiaoping over China's economic development is a reflection of his strong control over the Communist Party, the dominant element in the governance of China. Considering Deng's age, at eighty-two, speculation is constant about his health, his willingness to step down from leadership and, most important, the question of succession. If Deng has placed his imprint on China's economic development, he has also placed his imprint on the Chinese political system, and the kind of "democracy" to be found in China. That type of democracy is closer to the pattern of totalitarian democracy than to the liberal democracy we know, which emphasizes individual rights, rule under law, limitations on the executive, an elected parliamentary body with law-making power, and a recognition of the rights of both the majority and the minority. Under Deng, the Chinese Communist Party remains just as securely in power as before, and the Party can alter all aspects of the Constitution, all procedures, and all rights freely and at its own discretion.

Deng's actions and activities have made clear that he supports one party monopoly rule in China. While economic modernization has relaxed state control over the economy, and the importation of foreign technology has brought new ideas and new contacts to sections of the Chinese bureaucracy and Chinese people, the realization remains that any concessions in the direction of liberal democracy would undermine the power of the Chinese Communist Party and threaten its control over China.

When Deng first came to power, observers of the China scene speculated that following the brutal regime of Mao Zedong, Deng's new role would bring productivity as well as improved justice and a more open system of government to China. Government publications started discussing individual rights; a draft codifying the laws (especially criminal law) also gave impetus to the prospect of a more free and liberal democratic China. Even the discussion of these issues raised hope among optimists who had witnessed the excesses of the Cultural Revo-

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lution, which had swept aside all considerations of codified law in favor of decisions based purely on political attitudes, e.g., during the Cultural Revolution murderers could go free if the victims were deemed to be counter-revolutionaries, and individuals were summarily shot by the decision of local political factions. One issue of Beijing's *People's Daily* in 1979 even called for consideration to be given to the introduction of a Western style electoral system. Yet realists even at this time recognized that despite such press statements, and despite criticism of the Cultural Revolution and the "Gang of Four" by China's new leaders, the latter retained the power to run roughshod over all legal codes in what was still a one-party state.(1)

Deng's view of democracy in China can be readily interpreted from his speeches, and more specifically from certain actions which he has taken, notably in regard to the controversy over Democracy and the "Fifth Modernization" call made by Wei Jingsheng, the campaign against "spiritual pollution," and the punishments meted out for violations of party policy.

The framework in which China's modernization will take place has been clearly defined by Deng Xiaoping, and reaffirmed by him on numerous occasions. His opening speech at the Twelfth National Congress (September 1, 1982) described this framework:

> In carrying out our modernization programme we must proceed from Chinese realities. Both in revolution and construction, we should also learn from foreign countries and draw on their experience. But the mechanical copying and application of foreign experience and models will get us nowhere. We have had many lessons in this respect. We must integrate the universal truth of Marxism with the concrete realities of China, blaze a path of our own and build a socialism with Chinese characteristics — that is the basic conclusion we have reached after summing up long historical experience.(2)

The key to modernization in China remains "the leadership of the Party," the Communist Party of China. The ideological basis of historical materialism, namely that economic and social forces provide the base for everything, remains unchallenged. The power of the Party extends to all aspects of Chinese society— law, culture, beliefs, and even the state machinery itself. Thus, any state ruled by a Marxist party is viewed as nothing more than a machine at the service of the Party, and so it is

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with Deng's China – a machine at the service of the Chinese Communist Party. Marxist-Leninist orthodoxy remains supreme within the Chinese Communist Party, whatever elite may be in control.(3)

The Chinese Communist Party retains control by ensuring that the power of the state remains unchallenged. It achieves this through three mechanisms: explicit provisions in the Chinese constitution and the Chinese Communist Party statutes; institution of Party groups in the leading body of all central regional and local state organs making sure that the guidelines and policies of the Communist Party are put in effect at every level; and the interlacing between Party organs and the personnel of institutions in the state administrative machinery which ensures that all the leading officials in the state organs are Communist Party members. The Communist Party participates heavily in the upper echelons of the People's Liberation Army, thereby combining civilian with military control. Thus, despite changes at the top of the Party, and the modernization achieved in key economic areas by Deng, the Chinese Communist Party is able to prevent the evolution of any competing elite or power group among the ranks of those who hold positions in the administrative machinery of government. In the words of Sinologist Jürgen Domes, "The Party indeed commands the state."(4) Since he came to power, Deng has further strengthened the role of the Communist Party in China by placing his own supporters in key positions in a move euphemistically known as "party consolidation." Bo Yibo, who served as Vice-Chairman of the Party Consolidation Guidance Commission of the Chinese Communist Party Central Committee, noted at the end of 1984 that party consolidation was going well. The tasks involved in party consolidation, he said, included unifying the thinking, rectifying the style, strengthening the discipline, and purifying the organization. He praised two aspects of party consolidation: the combining of politics and the economy and avoiding the "leftist" tendency involved in previous political movements.(5) Rather than loosening party control, Deng has strengthened the Chinese Communist Party's monopoly over the mechanisms of government by placing his own supporters in charge. Overall, the 12th National Party Congress marked a decisive defeat for the Maoist faction within the central body of the Chinese Communist Party. Deng has consolidated his own and the Party's power, but he has not yet decisively eliminated

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the possibility of conflict between his own supporters and the remnants of Maoism within the Chinese Communist Party.(6)

Democracy Wall and the Fifth Modernization

The real test for any inclination by Deng Xiaoping to permit a drift toward a more liberal democratic system in China came with the Democracy Wall issue. Deng's closing down of Democracy Wall marked the end of any such experiment. When faced with the choice between encouraging democratic reforms or preserving rigid Communist Party control, Deng came firmly and emphatically down on the side of Communist Party control.

In contrast to Mao, whose actions stamped him as an anti-intellectual (through the persecution of intellectuals following the Hundred Flowers Campaign and more especially the Proletarian Cultural Revolution), Deng's exhaltation of the role of intellectuals and of the need to encourage their participation in China's modernization gave some hope that a more liberalized system involving some recognition of basic freedoms would be adopted. Deng pledged in a speech of March 18, 1978 that intellectuals would not be discriminated against as they were in the days of Mao (e.g., through a distinction between "mental" and "manual" work); he declared that intellectuals were actually part of the proletariat and that any distinction between workers and intellectuals had meaning only with regard to the division of labor. All who labored, whether by brain or hand, were to be considered workers in a socialist society.(7)

The words of Deng, his opposition to the excesses of the "Gang of Four" and the "Cultural Revolution" (under which he himself had suffered), and promises made in the preamble to the Chinese Constitution, encouraged intellectuals to think that a new day for a more liberalized society was coming. The Communist Party had pledged to seek a political situation where both centralism co-existed with democracy, discipline co-existed with freedom, and unity of will co-existed with individual ease of mind.(8) Steeped in historical tradition and analogies, Chinese intellectuals started to compare this new period with the outburst of freedom and activity that followed the May Fourth Movement of 1919, rather than with the disappointments of the Hundred Flowers Campaign of 1957.(9)

Actually, Deng had encouraged the hope of Human Rights

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and Democracy proponents in November of 1978. His promotion of the slogan that individuals should "liberate thought" gave further encouragement to such tendencies in 1979 and 1980.(10) Spontaneous assemblies took place in that part of Beijing known as Democracy Wall, to which posters were affixed, small journals and newspapers appeared calling for changes in Chinese society, and debates over the role of Mao and the future of Chinese society became more open.(11) But the die was cast when Wei Jingsheng, a twenty-nine year old electrician working at the zoological gardens in Beijing who had been a member of the Red Guards, tried to practice the freedoms which were being discussed and suffered arrest, trial, and imprisonment.

Wei's challenge was direct and to the point: if China had any chance of giving real meaning to the "Four Modernizations," a "Fifth Modernization" needed to be added – liberal democracy. Wei was arrested on March 30, 1979, for a variety of charges, including passing secrets to foreign newsmen. His trial took place in October, when he was accused of villifying Marxism-Leninism-Mao Zedong Thought. Speaking in his own defense, Wei experienced the meaninglessness of the promises made in the Chinese Constitution. Citing the Chinese rights of speech, assembly, publication and association guaranteed in the Chinese Constitution, he defended his right to criticize the leaders of China if China was to be spared going down once again the path of the "Gang of Four." His appeal was to no avail. Wei received a sentence of fifteen years, and China's high court turned down his appeal for leniency (November 6, 1979).(12)

An understanding of what type of democracy the present leadership of China favors can best be obtained by examining the document entitled "The Fifth Modernization," the publication of which led to Wei Jingsheng's imprisonment.(13)

Wei began by setting the context in which the "Four Modernizations" debate was taking place. The Chinese people had followed the lead of Mao Zedong, who preached that Communist ideology would benefit China, and that China had followed this program over thirty years with poor results. He noted that "some people" asserted that Mao had brought about a "new China," that this China needed dictatorship, and that the only democracy China could have would be "democracy under collective leadership." Deng had raised the hopes

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of the people with his promises but these promises – the prosperity of Communism and the Four Modernizations – were proving to be an illusion as well. People were told merely to be obedient. Then Wei issued his critique and challenge:

> I advise everyone not to believe such political swindlers anymore. Knowing that we are being deceived, we should implicitly believe in ourselves. We have been tempered in the Cultural Revolution and cannot be that ignorant now. Let us find out for ourselves what should be done.(14)

Wei calls for democracy rather than autocracy for the Chinese people. The people's call for democracy, Wei comments, is merely a call for what is rightfully theirs and for what will allow them to become masters of their own destiny. Although China was promised democracy when the Communist triumphed over the Kuomintang, the slogan "people's democratic dictatorship" was replaced by the "dictatorship of the proletariat" and even this small amount of democracy was abolished and replaced by the autocracy of the "Great Leader." The leadership of the Communist Party then held a new promise: the leader is great and faith should be placed in him. This faith in the leader, rather than democracy, will bring happiness to the people. The Chinese people, he concluded, were deceived by Mao in following the "socialist road" which brought to the Chinese people a "Chinese socialist autocracy."

This young thinker then presented a definition of what type of democracy China needed:

> What is democracy? True democracy means the holding of power by the laboring masses . . . What is true democracy? It means the right of the people to choose their own representatives to work according to their will and in their interests. Only this can be called democracy. Furthermore, the people must also have the power to replace their representatives anytime so that these representatives cannot go on deceiving others in the name of the people . . . In China, however, if a person even comments on the already dead Great Helmsman Mao Zedong or the Great Man without peers in history, jail will be ready for him with open door and various unpredictable calamities may befall him. What a vast difference will it be if we compare the socialist "exploiting class!"(15)

He called on his fellow Chinese to rally under the banner of democracy and not to rely on the promises of mere "stability

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and unity" and asserted that prosperity can best be brought about if the people make their own decisions under democratic rule: "Abandon our democratic rights and we will be shackled once again."(16)

Observing that public opinion in Western capitalist democracy influenced governments and led to social prosperity that benefitted the people, he noted that if problems developed, the people could make mistakes and have the ability to correct them. The Western nations, thus, had many freedoms and saw that the safeguarding of the citizen's human rights was one of the main functions of government; the Chinese people labored under many disciplines and its citizens were submissive to a small group of rulers. He pointed out "the seamy side of socialism" where many of the Chinese people suffered under man-made disasters created by Mao. In returning to the basic question of the type of political system best for the Chinese people, Wei commented:

> Totalitarianism regards suppression of individuality as its basic condition of survival; essentially, this is a form of enslavement. Democracy regards harmony with individuality as its basic condition of existence; essentially this is a form of cooperation. Nobody can find any form of totalitarianism without suppression of individuality and enslavement of people. Similarly, nobody can find any form of democracy without a foundation of harmony of the individuality of the majority of its citizens. Totalitarianism is distinguished by its suppression of individuality, while a special feature of democracy is the preservation of the harmony of individuality. The main difference between totalitarianism and democracy, therefore, lies in the two different and exactly opposite forms of existence for human individuals as well as two vastly different living conditions for people. Do you like freedom or enslavement; This question is unnecessary for most people, except, of course, the lackeys.(17)

Wei discusses the relationship between socialism and democracy, modernized production and democracy, human rights and democracy, equality and democracy, the rule of law and democracy. For the latter he called for the rule of law which was conducive to guaranteeing equal rights for all. Democratic rights for the Chinese people must not be infringed upon.(18) He concluded with a ringing call for the adoption of the "Fifth

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Modernization" of democracy to replace China's years of autocracy:

> Indeed, China has experienced something the nation has not seen for thousands of years. Our wise and intelligent people must not fall back into the fraudulent trap set by ruthless adventurers. We must never be enslaved again.(19)

During the trial, Wei Jingsheng, as his own counsel spoke of his right to speak under the Constitution of the People's Republic of China. The State Prosecutor stated that freedom of speech in China had to be based on four principles, insisting on: the socialist road; the dictatorship of the proletariat; the leadership of the Chinese Communist Party; and Marxism-Leninism-Mao Zedong Thought. The citizen in China thus had the "freedom" to support these principles and not the freedom to oppose them. Wei was accused of trying to overthrow the dictatorship of the proletariat under the guise of democracy.(20)

Wei failed in his bold bid to incorporate democracy as part of China's modernization program. He received a sentence of fifteen years and has now disappeared from sight. Deng Xiaoping, who appeared to support the human rights and democratic movement when it opposed his enemies, began his crackdown. The right to hang posters on Democracy Wall was abolished. The clause in the Constitution of China which had guaranteed the right of hanging wall posters would, announced Deng, be withdrawn at the next appropriate occasion.(21) China's flirtation with freedom was short-lived and died quickly under Deng's assault.

Restrictions Impeding Democratic Development

The insistence on the monopoly role of the Chinese Communist Party and blind adherence to its directives by all Chinese people remains the leading and most significant obstacle to the development of democracy in China.

The "opening" of China by Deng Xiaoping in order to bring modernization to China has brought in not only new products and technology but also new ideas to China. The Mao-imposed isolation has given way to a new openness which has brought knowledge of the world outside of China – particularly the United States – to the attention of the Chinese.

The young Chinese have been particularly interested in Western goods and in living conditions in the West. The many

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Chinese who have gone abroad to study have brought back direct knowledge of the rest of the world; the circulation of Western publications and direct contact with visiting businessmen, scholars, scientists, etc. brought additional information to the Chinese. The Chinese Communist Party leadership has feared a discontent resulting from a realization among the people of how far behind they are compared to the rest of the world, even to many of the nations of Asia. The Communist Party has revived an old slogan of Mao Zedong, namely "Use foreign things to serve China." The message is to bring foreign science and technology to China, but *not* foreign thought.(22)

Concern with growing foreign influence led Deng's leadership group to launch a movement against the "pollution" of ideas in ideology, literature and art in order to build a "socialist spiritual civilization by emphasizing the Five Stresses, Four Beauties, and Three Ardent Loves." A national committee was formed to promote this spiritual renewal.(23) China came under increasing scrutiny as a result of this movement, since Western and Asian political leaders feared that the Chinese leadership was preparing for another crackdown which would seriously impede the opening of China and resulting trade exchanges. Recognizing this threat to its new program, the Chinese leadership under Deng's direction placed a priority on the economic program and checked the "spiritual pollution" or "cultural pollution" campaign. Yet, such a crackdown in the name of political thought control can be revived at anytime the Party might consider it to be desirable in the interest of protecting its own power and influence.(24)

Specific examples of the readiness of the Party to resort to crackdowns or "tightness" occur when the leadership discovers any appreciable movement toward freedom of thought. While there have been signs of change in the fields of art and literature, as compared to the close and narrow restrictions imposed on these activities during the Proletarian Cultural Revolution, the latter part of 1985 saw an increase in articles in the official Chinese press stressing the need for Chinese writers to "follow the socialist road" and foster socialist and communist ideals in their work. The National Party Conference held in September of 1985 highlighted the insistence of longtime Communist Party official Chen Yun that more attention be paid in China to political and ideological work.(25)

The lessons of Wei Jingsheng and the "Spiritual Pollution"

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campaign – both indicating that the "liberal" Deng Xiaoping would not tolerate any weakening of the State or of the control of the Party over the loyalties and minds of the people have registered with Chinese intellectuals. Although Deng has called for "freedom of creation," his key address delivered in 1979, which has been looked upon as a charter and guide for writers and artists in post-Mao China, stressed that the Communist Party reserves the right to criticize writers whose works are not considered correct, and asserted, like Mao Zedong before him, that writers have a mission to perform.(26)

True freedom to write, discuss, and debate is essential to any development of democracy in China and under the current guidelines this remains clearly restricted. Observers of the China scene point out that at the very time Deng Xiaoping spoke of promoting the "freedom of creation," criticizing the persecution of writers and artists during the Cultural Revolution in his address to the Fourth Congress of Writers and Artists (October 30, 1979), he authorized the closing down of Democracy Wall and democratic expression, to be followed – just a few days later – by the trial at which Wei Jingsheng received his fifteen year prison sentence.(27) Even while praising the changes the Deng had brought to China, *Time* magazine, which for the second time had named Deng Xiaoping its "Man of the Year" (1979; 1985) admitted that: "China is still a one-party dictatorship and Deng has no intention of letting it become anything else."(28)

The willingness to borrow certain aspects of the Western economic system (e.g., incentives in production, importation of technology) while maintaining unyielding resistance to the Western political system (e.g., liberal democracy) has given rise to a new drive in Deng's China: a crackdown on so-called "economic crimes." In order to combat the undesired consequences of "capitalism" termed "economic crimes," (e.g., smuggling, speculation, theft, acceptance of bribes), China raised the penalty for such crimes in March of 1982 to a minimum of ten years in jail and a maximum sentence of life imprisonment or execution. The list of crimes eligible for a death sentence was expanded in September of 1983 to include (along with kidnapping and the luring of women into prostitution) "feudal superstitious act" and "counter-revolutionary activities."(29)

An estimated 48,400 cases of economic crime were tried in the courts in 1985, which does not include an additional 8,000

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other crimes tried in the courts. Questions have been raised over how well the rights of those individuals were protected, whether they were adequately defended, whether there was substantial evidence to convict them, and whether the law has been applied appropriately. By the time a case comes to trial in China, the real issue appears not the question of guilt but the length and type of sentence. Despite the right of appeal for "criminals" sentenced to death, executions are usually carried out summarily right after sentencing. Although China has not publicized the number of executions, one estimate determines a figure of around 10,000 since 1983.(30)

These executions serve to strengthen the control of the Communist Party and the Chinese government and indicate no move toward democratic freedoms or guarantee of rights: an employee of one of the state-owned companies was executed in April of 1986 for revealing "important state secrets" concerning the import and export of automobiles to foreign businessmen; another was sentenced to seventeen years in prison for taking bribes and leaking secrets to foreign businessmen.(31)

Efforts made to promote open discussions or to adopt liberal democratic reforms have resulted in strong warnings being issued against such activities. In December 1985 students at Beijing University were given severe warnings that protests would affect their job placements after graduation. The Chinese Communists officials have referred to the Western style of liberal democracy, involving free elections and an independent press, as a form of "bourgeois liberalism" unsuited for China's socialist system. The official theoretical journal, *Red Flag*, in December of 1985 criticized those in China who yearn for bourgeois liberalism, and Li Peng, a Vice Premier of China, just recently stated in an address to a meeting of thousands of university students that the capitalist concept of value and the decadent way of life of the capitalist world must not be allowed to enter China, and they must reject bourgeois liberalism which would only make a mess of China's affairs.(32)

While not as radical in approach as Mao Zedong, Deng has made it clear that political democracy is unwelcome in China and that the Communist Party monopoly will remain firmly in control over China's affairs, both now and in future years.

Democracy and China's Future

The National Party Conference which convened in

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Beijing in September of 1985 focused on two major issues: the drafting of the Seventh Five Year Plan continuing Deng Xiaoping's road of the "Four Modernizations," and the replacement of older officials in the leading units or organs of the Chinese Communist Party by a younger group more committed to the goals of Deng's program.

Deng has made clear that he supports a strong role for the Chinese Communist Party. He has not deviated from the four cardinal principles laid down in his 1979 address setting forth a guide to Party workers. His aim, re-stated on many occasions since that time, is to achieve the modernization of China and to make China a powerful nation. The four principles which Deng viewed as the prerequisites for modernization include: keeping to the socialist road; upholding the dictatorship of the proletariat; upholding the leadership of the Communist Party; upholding Marxism-Leninism-Mao Zedong Thought.(33)

Notably, Deng emphasized that without the Chinese Communist Party there would be "no socialist new China." He explained that no other Party in China had integrated itself with the workers as had the Chinese Communist Party, and that China "pins all its hopes for the future on leadership by the Party." He then stressed the essential role of the Communist Party in China:

> In reality, without the Chinese Communist Party, who would organize the socialist economy, politics, military affairs and culture of China, and who would organize the four modernizations? In the China of today we can never dispense with leadership by the Party and extol the spontaneity of the masses . . . Our Party has made many errors, but each time the errors were corrected by relying on the Party organization, not by discarding it. If today we tried to achieve democracy by kicking aside the Party committees, isn't it equally clear what kind of democracy we would produce?(34)

These principles were included in the Constitution adopted in 1982;(35) and the document adopted by the Chinese Communist Central Committee officially endorsing Deng's "Four Modernizations" (October 20, 1984) stresses the need to strengthen the Communist Party leadership in order to ensure the success of the economic reforms.(36)

Deng's reliance on the Party became clear at the September

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Party Conference as he strengthened his power base in China – "socialism with Chinese characteristics." During what was mainly a discussion of the economic plan, Chen Yun, a veteran economic planner, raised some doubts as to Deng's economic plan and urged a strengthened Party organization. Deng urged a policy of persuasion and education, rather than of political movements and mass criticism but supported greater ideological and political work. Chen was practising democratic centralism (e.g., debate within the Communist Party).(37) This brand of democracy provides for neither consultation nor influence on the part of the mass of Chinese people.

Deng's new administration contains a number of rising stars, as a result of the replacement of many older Communist leaders by younger ones allied to Deng. However, if a leadership struggle should develop in China, over the question of a successor for Deng, China could be thrown into turmoil again, as in the post-Mao Zedong and "Gang of Four" period. If that happens, the success of Deng's new economic policy may help determine from which group successor will emerge.(38) Deng has made clear that economic construction – making China a strong nation – is central of his supporters' policies.

The question of Deng Xiaoping's successor remains a key issue, but whether Deng's group continues, or a group more aligned with the Maoists takes over, each must inevitably use the Communist Party structure as its main instrument of control and must oppose any reforms which would bring liberal democracy to the People's Republic of China – whether this might take the form of Western style democracy or Sun Yat-sen's Three Principles of the People. This type of liberal democracy threatens the control exercised by leaders of the Communist Party, who do not have to be responsible to the people through elections or to a representative body elected by those people. China is likely to continue in the near future along the path of economic modernization, freeing some aspects of economic planning from central control. However, it is certain that with the continuation in power of the Chinese Communist Party, meaningful progress toward liberal democracy for the Chinese people stands little chance of accomplishment. In his address to the Twelfth National Congress of the Chinese Communist Party, Deng noted that China would follow a policy of opening to the outside world, but made clear his rejection of

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any reforms in the direction of liberal democracy:

> At the same time, we will keep clean heads, firmly resist corrosion by decadent ideas from abroad and never permit the bourgeois way of life to spread in our country.(39)

Totalitarian Democracy and Democratic Centralism

Like Mao Zedong before him, Deng Xiaoping regularly includes discussions of democracy in his speeches, writings, and pronouncements. However, "democracy," like other terms such as "freedom," "justice" and "equality," can have different meanings in different historical, socioeconomic and political settings, and a view of what non-Communist nations define as "democracy" may be very different from the meaning given to this term in socialist/communist states.(40)

Deng sought to establish his ties to Mao Zedong in a speech made early in the history of his rise to power in 1977. He used the speech to criticize the "Gang of Four," seeking to associate his own views on how to strengthen the Chinese Communist Party with those of Mao. Deng stressed the importance of the relationship between democracy and centralism and between freedom and discipline. He stressed Maoist origins for the principles he was advocating:

> How can we create the political situation advocated by Comrade Mao Zedong? By earnestly studying his thinking on Party building. That thinking encompasses a great many fundamental principles. These include: combining a high degree of democracy with a high degree of centralism; distinguishing between the two different types of contradictions (those among the people and those between the people and the enemy) and handling each correctly; applying the formula "unity-criticism-unity"; "learning from past mistakes to avoid future ones and curing the illness to save the patient"; giving full scope to democracy in order to unite more than 95 per cent of the cadres and the masses; following the mass line and trusting the masses; and acting on the four-character slogan Comrade Mao Zedong wrote for the Central Party School in Yan'an, "Seek truth from facts."(41)

This emphasis on democracy, as will be discussed shortly, is linked with the principle of centralism – "democratic centralism." The Twelfth Party Congress in 1982 adopted a statute

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in the party constitution which regulated the tasks and organization of the Chinese Communist Party. The statute was similar to earlier ones adopted in 1956, 1969, 1973, and 1977, and reflected a definition of "democracy" which conveniently fitted the Communist Party organization and program. The statute proclaimed:

> The individual Party member obeys the Party organization, the minority obeys the majority, the organization of the lower levels obey those of the upper levels, and all organizations as well as all members of the whole Party obey the Party Congress and the CC. (42)

Thus "democratic centralism" was deemed to safeguard democracy by requiring that all leading party organs or units are to be elected. There is a heavier emphasis on "centralism" rather than "democracy" by requiring the full attention to Communist Party discipline and unconditional obedience. It is required that every Communist Party member consider himself or herself part of the vanguard fighting for the working class and conscientiously studying Marxism-Leninism and the Thought of Mao Zedong. The individual must remain loyal and devout to the Communist Party and must actively carry out all Party tasks. These members must maintain the unity of the Party since factions within the Communist Party are strictly forbidden. (43)

While Marxism-Leninism can shift in emphasis depending on circumstances, the role of the Party and of democratic centralism in maintaining absolute monopoly control of the Communist Party over the Chinese nation never changes. A current discussion of the situation in China requires an understanding of the "democracy" endorsed by the Communist Party – totalitarian democracy for the nation and democratic centralism for the Party.

The Rise of Totalitarian Democracy

The Western tradition witnessed the evolution of a system of government or rule by the people known as democracy. Generally, it represented a form of government in which the major decisions of government and the direction of the policy behind these decisions rests either directly or indirectly on the freely given consent of a majority of the adults governed. This consent may be through institutions of government selected in some form by those who are governed. Modern concepts of demo-

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cracy have been associated with a philosophical theory of human rights (primarily from the writings of Thomas Hobbes and John Locke) which interpreted democracy as implying majority rule as a necessary but not sufficient condition, with limits being set on the right of those in power to inhibit the rights of those not in power. Thus, majorities could do almost anything except deprive minorities of their basic freedoms (e.g., the freedoms of speech, press, assembly and fair trial), so that those who were not in power might one day come to power by peaceful means. Minorities, in turn, had to abide by the principle of majority rule and democratic behavior.

Scholars such as J.L. Talmon recognized at least two different types of "democracy" which arose within the Western tradition. He specifically noted the emergence of a variant known as "totalitarian democracy," as part of an identifiable trend originating in the French Revolution. Although the origins of this totalitarian democracy predate Marxism, Marxism did — and does — represent one of the most vital of the various versions of this totalitarian ideal. (44)

It is remarkable that this totalitarian variant arose at the same time that democracy was emerging as a system of government based on the consent of the governed. Totalitarian democracy was justified in terms of the idea of a 'general will' of the people, but actually rested too often on a clear pattern of coercion and centralization for government. Professor Talmon noted how the concept of man became central to the philosophy of totalitarian democracy, the goals of which went beyond merely freeing mankind from restraints:

> All the existing traditions, established institutions, and social arrangements were to be overthrown and remade, with the sole purpose of securing to man the totality of his rights and freedom, and liberating him from all dependence . . . To reach man per se all differences and equalities had to be eliminated. And so very soon the ethical idea of the rights of man acquired the character of an egalitarian social ideal. (45)

The emphasis in theories of totalitarian democracy is always on the sweeping away of all inequalities. The privileged in society are to be brought down to the level of common humanity. All intermediate centers of power (e.g., social classes, corporations, professional groups) are to be swept away in the

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process, so that nothing can stand between Man and the State. The result is clear: the State, unchecked by any of these intermediary agencies, acquires and possesses unlimited power over the feckless individual who is reduced to becoming a faceless and powerless member of a general proletariat.

The relationship between Man and the State in the theory of totalitarian democracy implies conformity. In contrast to theories of democracy based on freedom and human rights, totalitarian democracy eliminates the possibility of diversity in society, whether it be diversity of social and ethnic groups or the diversity which arises from human spontaneity and empiricism. Thus the idea of democracy based on free popular self-expression gives way to the ideal of a "general will," embodied in the minds of a few leaders who conduct the affairs of society with the support of a tightly organized body of loyal supporters.(46)

The end of the eighteenth century saw an emerging pattern of philosophical development from a concept of democracy embracing extreme individualism to one endorsing a collective pattern of coercion. The nineteenth century saw the evolution of the fully developed philosophy of collectivist totalitarian political philosophy which we know as Marxism.

Thus, despite a common origin, "totalitarian democracy" stands in sharp contrast to the concept of "liberal democracy" which took hold in the United States and Britain. Totalitarian democracy was based on the assumption of a sole and exclusive truth in politics, a form of "political Messianism" to which individuals are preordained to serve as parts of a perfect scheme, and which widens the scope of politics to embrace the whole of human existence. All aspects of human thought and action are looked upon as having social significance and are regarded as falling within the orbit of political action. Political ideas become part of an all-embracing whole and aspects of a single coherent philosophy. Politics is defined as the application of this philosophy to the organization of society, and the final purpose of politics is to arrive at a condition in which totalitarian democracy reigns supreme over all fields of life.

In contrast, the liberal democratic view looks upon politics as not all-encompassing but as a matter of trial and error, and individual political systems are looked upon as something pragmatic and developed by human ingenuity and spontaneity. It recognizes, in addition, a variety of levels of personal and

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collective endeavors altogether outside the sphere of politics. In a much different way each affirms the supreme value of "liberty." Liberal democracy looks upon liberty as developing from spontaneity and the absence of coercion while totalitarian democracy views liberty as being realized only in pursuit and attainment of an absolute collective purpose. In the liberal democratic system the power of the State is limited and beliefs are upheld in the absence of coercion; in the totalitarian democracy the State is precisely defined and treated as a matter of immediate urgency, an instrument for direct action in order to achieve an imminent event. In the modern State, totalitarian democracy is a system of government, ideally based on popular enthusiasm, but in reality constituting a dictatorship directing — by manipulation and coercion — the ideology and enthusiasm of the masses. (47)

In his analysis of totalitarian governments, social philosopher and economist Ludwig von Mises noted that despite the pretensions of Marxists to support democratic institutions, this supposed support for democracy represented a mere strategem to deceive the people, since within their own community, no room was left for freedom. He noted that there could be no freedom of speech or conscience in a society wherein the government could suppress its opponents; there could be no freedom of scientific research if the government controlled all libraries, museums, and archives; there could be no freedom in works of art or literature when the government could determine who could create these. The control of a socialist government over society is total, since it cannot be checked by any parliamentary body or controlled by its own citizens. In the economic field, when economic enterprise and investment becomes a socialist monopoly, the prospects for the re-emergence of liberal democracy are doomed. (48)

The type of totalitarian democracy represented by the Soviet Union and the People's Republic of China, despite differences in economic policies, eliminates the conditions essential to the development of the liberal type of democracy, and makes this an impossibility unless the whole system changes (e.g., by the abandonment of the Communist ideology and of the monopoly role of the Communist Party in government). In his examination of the genealogy of ideas, J.L. Talmon notes that the most important lesson drawn from his inquiry is the incompatibility between the idea of an all-embracing and all-solving creed and

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the idea of personal liberty. In a direct reference to the Communist ideology which dominates the Soviet Union, the People's Republic of China, and all other Communist nations, he describes the overriding principle of a State based on Communist ideology: "This is the curse of salvationist creeds: to be born out of the noblest impulses of man, and to degenerate into weapons of tyranny."(49)

The Development of Democratic Centralism

Just as totalitarian democracy is a political philosophy concerned with the technique of controlling the people, so "democratic centralism" is the key by which a tightly and effectively organized Communist Party dominates every aspect of a Communist nation's government and the people over which it rules.

An earlier reference has been made to the role that democratic centralism presently plays in China. An understanding of its origins provides a greater understanding of why the continued existence of this principle prevents the development of a liberal democracy within the Party structure and within any nation under Party control.

Despite different manifestations in the various totalitarian democratic states of today, the two major founders of modern-day Communism remain Karl Marx and V.I. Lenin. Karl Marx contributed the theory of historical materialism or "historical science" which predicted the inevitability of an eventually worldwide social, economic, and political order called Communism. He outlined the essence of this philosophy in *The Communist Manifesto* (1848), which became an essential document for varying groups of socialists, ranging from those who sought to achieve socialism by democratic means, to those who believed that violent revolution was desirable to speed up this "historical process." V.I. Lenin, who rose to power through the Communist Revolution in Russia, equipped Marx's philosophical doctrines with a system or political machinery which converted it into a powerful organ for revolutionary change.

According to Lenin, Communist revolutions required leadership and this leadership was to be provided by a small vanguard of men and women who would correctly interpret history and organize themselves to act on it. The organization comprising these activists was the Communist Party. After its victory over the capitalist forces, the Communist Party would bring

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about a state of socialism as an initial stage toward the introduction of true communism.(50)

Lenin's Communist Party was organized in a way which precluded any form of real democracy. He made the Soviet Communist Party the dominant political group; the Poltiburo being the font of authority within the Party. The General Secretary of the Party became the sole source of legitimate writ. Lenin imposed his brand of "democratic centralism" on the Bolshevik faction in Russia and also upon the Third International. His views on this system of organization can be read in his famous pamphlet, *What is to be Done?*.(51) One writer goes as far to assert that Lenin was at no time very deeply interested in the fundamentals of Marxist thought, but was only interested in building a strong political party which could inspire and harness discontent for the sole purpose of placing him and his party in power by a process of controlled and bloody revolution.(52)

Lenin saw the State not as a nation but as a political product and as a manifestation of the irreconcilability of class antagonism. The very existence of the State proved to him the reality of this supposed irreconcilability. Lenin noted in a passage from his *Selected Works* that "the destruction of the state means also the destruction of democracy."(53) Lenin viewed "democracy" as a political situation which recognized the subordination of the minority to the majority. To his reasoning, democracy was no more than an organization for the systematic suppression of an exploited class of people by an exploiting class.(54)

Lenin talked of a "new democracy" being built by the revolutionaries (e.g., the Communists) to replace the regular Western-style democracies. In his work, written in 1917, *The Tasks of the Proletariat in Our Revolution*, he wrote that the term "democracy" remained scientifically incorrect when applied to a Communist Party, but in the context of the revolution in Russia the term "democracy" served as "a blinker covering the eyes of the revolutionary people," preventing them from seeing the need to build the power of the revolutionary soviets until they became the sole power in the State.(55)

After Lenin seized sole power in the aftermath of the 1917 revolution by overthrowing the government of Alex Kerensky and dissolving the elected Constituent Assembly (e.g., "Draft Decree on the Dissolution of the Constituent Assembly," January 19, 1918), he declared the Soviet power to have

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created a new type of State in which the bourgeois democracy (e.g., Western type of liberal democracy) had been replaced by a new democracy – "a democracy which brings to the forefront the vanguard of toiling masses, turning them into legislators, executives and military guards, and which creates an apparatus capable of re-educating the masses."(56)

Lenin defended this "proletarian democracy" made up of "the toiling and exploited masses" by excluding the bourgeoise from it, and by eliminating all "bureaucratic formalism" so that the will of the masses might determine elections. His proletarian democracy was represented by an organized vanguard of toilers who would lead the exploited masses into their new role in society and educate them politically. He described his new higher type of democracy as "a rupture with bourgeois distortion of democracy."(57)

The real meaning of democracy for Lenin – still shared by the varying Communist parties throughout the world – is totalitarian democracy rooted in democratic centralism, the key to which is a highly organized and severely disciplined political party. Lenin confirmed these conditions in 1920 when he defined the terms for affiliation with the Communist International, the organization which was designed to promote other Communist revolutions throughout the world. All Communist parties affiliated with the Communist International must be:

> . . . built up on the principle of democratic centralism . . . the Communist Party will be able to perform its duty only if it is organized in the most centralized manner, only if iron discipline bordering on military discipline prevails in it, and if its party center is a powerful organ of authority, enjoying wide powers and the general confidence of the members of the Party.(58)

The close parallel between the ideas of Lenin in building the Soviet Russia Communist Party and Mao Zedong in building the Chinese Communist Party hinges on the rigid exclusion of all elements of liberal democracy within the Communist Party structure, which is totally founded in democratic centralism. (It is interesting to note that Lenin was among the earliest of Marxist leaders to reject Karl Marx's centrist view that revolution must first occur in the industrial nations of Europe, suggesting that unindustrialized Asia could equally well provide a stage for Communist revolution). In an article written in Nov-

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ember of 1920, commenting on the first anniversary of the Worker's Association, Mao Zedong placed emphasis on the importance of organization, a view very close to Lenin's view of democratic centralism. Mao borrowed from Lenin the concept that political consciousness does not manifest itself spontaneously among the proletariat, but must be instilled by an elite or vanguard; this elite or vanguard needed to be highly organized along the lines of democratic centralism.(59)

Mao Zedong expressed his views on "democracy" within the Chinese Communist context in his famous February 27, 1957 speech "On the Correct Handling of Contradictions Among the People." In this talk, reflecting ideas which extended decades back in Mao's thought, he portrayed the concept of democracy in China in terms of the people's democratic dictatorship, a concept similar to the "general will" theory by which totalitarian democracy is philosophically justified.

Mao's talk was delivered shortly after he launched the Hundred Flowers Campaign, inviting criticism in an apparent democratic mode to help probe and resolve problems in the economy, administration, and politics of China. In retrospect, it appears that Mao had thought that a liberalization of expression might lead the people to expose abuses without questioning the fundamental principles of the Communist regime. However, he soon discovered that this concession to freedom of expression was not controllable, and was leading to unacceptable freedom of expression by intellectuals. As a true Leninist and democratic centralist, he could not accept this course of development, and once again resorted to enforcing centralized discipline through a major crackdown on dissidents. In his 1957 address, he recognized that contradictions still existed in China and among these he included conflicts between the leadership and those who were led, as well as conflicts between democracy and centralism. Mao used his power to suppress opposition voices and then accelerated his push for the economic and cultural development of China – a push for the Great Leap Forward and the organization of communes.(60)

Democracy Definition Consistent in Policies

The speech made by Deng Xiaoping in 1977, and other public statements by Deng, reflect his strong support for the Leninist/Maoist view of the "proletarian" or "people's" democracy (the essential structure of totalitarian democracy) in

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China and of democratic centralism as a basic principle for organization of the Chinese Communist Party.

Deng stresses the need for China to find its own way in the modernization process. Yet, despite changes in China's economic and international policies, involving the desirability of obtaining aid from other (particularly Western) nations, he remains firmly committed to certain essentials. During a major address in 1979, he noted that modernization could be achieved by China within the framework of four cardinal principles: adherence to the socialist road; upholding the dictatorship of the proletariat; upholding the leadership of the Communist Party; and upholding Marxism-Leninism and the Thought of Mao Zedong.(61) Deng made reference to the fact that the Communist Party had not practiced democracy adequately in China, but was quick to remind his colleagues of the proper definition of democracy:

> However, while propagating democracy, we must strictly distinguish socialist democracy on the one hand and bourgeois, individualist democracy on the other. We must link democracy for the people with the dictatorship over the enemy, and with centralism, legality, discipline and the leadership of the Communist Party.(62)

The adoption of the 1982 constitution under Deng Xiaoping's leadership gave further evidence that despite administrative reforms within the Chinese Communist Party, the power of the Party and its tight control remained a reality of Chinese life. The 1982 constitution mentions the leadership by the Chinese Communist Party four different times and continues its definition of the "people's democratic dictatorship" in traditional Marxist terms. There is an impressive list of freedoms guaranteed to the Chinese people: equality of citizens before the law, freedom of speech, freedom of assembly, freedom of publication, freedom of association, freedom of religion, and the freedom of academic research, literature and the arts. However, this list is limited by Article 51, which declares that these freedoms can be exercised as long as they do not violate the rights of "the state, the society, the collective or the legitimate freedoms and rights of other citizens."(63) The democracy thus defined in China by its constitution is totalitarian democracy rather than liberal democracy.

This article was extracted from *Democracy in Mainland China: The Myth and the Reality* (*Journal of Social, Political and Economic Studies Monograph Series Number 16*) by Donald J. Senese (see page 316).

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FOOTNOTES

(1) David Bonavia, "Hua spells out Deng's brave new world," pp. 1011; Derek Davies, "Putting people in the picture," pp. 11-13, *Far Eastern Economic Review*, July 6, 1979.

(2) Deng Xiaoping, "Opening Speech at the Twelfth National Congress of the CPC," September 1, 1982, in Robert Maxwell (General Editor), *Deng Xiaoping: Speeches and Writings*, Oxford: Pergamon Press, 1984, p. 86.

(3) Jürgen Domes, *The Government and Politics of the PRC: A Time of Transition*, Boulder and London: Westview Press, 1985, p. 100.

(4) Ibid., pp. 101-102.

(5) "One Year Party Consolidation," Excerpts from a speech by Bo Yibo, Vice Chairman of the Party Consolidation Guidance Commission of the CPC Central Committee at a forum sponsored by the CPC Central Committee with leaders of democratic parties and public figures, December 21, *People's Republic of China Yearbook 1985*, Beijing: Xinhua Publishing House, 1985, pp. 91-93.

(6) Wolfgang Bartke and Peter Schier, *China's New Party Leadership: Biographs and Analysis of the Twelfth Central Committee of the Chinese Communist Party*. A publication of the Institute of Asian Affairs in Hamburg, Armonk, New York: M.E. Sharpe, Inc., 1985, pp. 75-77.

(7) Jonathan D. Spence, *The Gate of Heavenly Peace: The Chinese and their Revolution, 1895-1980*, New York: The Viking Press, 1981, p. 358.

(8) Ibid.

(9) Ibid., p. 359. The Constitution of the People's Republic of China, adopted and promulgated for implementation on December 4, 1982 by the Fifth National People's Congress, lists these "rights." For example, "Citizens of the People's Republic of China enjoy freedom of speech, of the press, of assembly, of association, of procession and of demonstration" in Article 35; "Citizens of the People's Republic of China enjoy freedom of religious belief," in Article 36; "The home of citizens of the People's Republic of China is inviolable. Unlawful search of, or intrusion into, a citizen's home is prohibited," in Article 39; and "Citizens of the People's Republic of China have the right to criticize and make suggestions to any state organ or functionary" in Article 40. See "The Constitution of the People's Republic of China, *People's Republic of China Year Book 1985*, pp. 12-13. Wei Jingsheng found that these constitutional provisions had little substance in practice. Dr. King-yuh Chang, Director General of the Government Information Office of the Republic of China on Taiwan noted in a speech presented at the Mass Communications Research Institute in Tokyo, Japan, on November 11, 1985 that the government of the Republic of China followed Dr. Sun Yat-sen's Three Principles of the People seeking to ensure expanding freedom, democracy and social well-being while the People's Republic of China remained dedicated to "pervasive controls and totalitarianism." In a direct reference to the situation in Mainland China, Dr. Chang noted that "if Chinese culture is destroyed; if the people's basic freedoms and human rights are trampled upon; and if the rulers see themselves as a privileged class, neither responsible for, nor responsive to the people's needs; and if violent political struggle becomes the only channel to develop one's talents and wisdom and gain due reward, then no matter how large the land area is or how plentiful the resources are that society is bound to be poverty-striken, backward, and oppressed. Over the past thirty years, Communist China has been living testimony to this, as are other communist-ruled areas . . . Communism and communist parties have, so far, gained power in more than 20 countries in the world. But not a single communist regime has been able to provide its people with a lifestyle of freedom, democracy, and progress." "Peking at the Crossroads: Democracy or Communism," *The Free China Journal*, December 23, 1985, p. 2.

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(10) Domes, *The Government and Politics of the PRC: A Time of Transition*, p. 278.

(11) Spence, *The Gate of Heavenly Peace*, p. 359.

(12) Ibid., pp. 359-364.

(13) This document, "The Fifth Modernization," by Wei Jingsheng can be found in various publications. See James D. Seymour, *The Fifty Modernization: China's Human Rights Movement, 1978-1979*, Stanfordville, New York, Human Rights Publishing Group (Earl M. Coleman, Inc., P.O. Box T, Crugers, New York 10521), 1980, pp. 47-69.

(14) Ibid., pp. 48-49.

(15) Ibid., p. 52.

(16) Ibid., p. 53.

(17) Ibid., p. 58.

(18) Ibid., pp. 60-69.

(19) Ibid., p. 69.

(20) Spence, *The Gate of Heavenly Peace*, p. 363. An interesting account of the democratic experiment and the crackdown is to be found in Chapter 13, "The Noise of the Renegades," pp. 341-370. See also Chapter 19, "To Rebel Is Justified," pp. 406-434 in Fox Butterfield, *China: Alive in the Bitter Sea*, New York: Times Books, 1982.

(21) Liang Heng and Judith Shapiro, *Intellectual Freedom in China After Mao with a Focus on 1983*, New York: Fund for Freedom of Expression, 1984, pp. 22-23.

(23) Ibid., pp. 24-25. The Five Stresses include civilization, courtesy, sanitation, order and ethics. The Four Beauties include those of the mind, language, conduct, and environment. The Three Ardent Loves include those of the fatherland, socialism and the party.

(24) Ibid., pp. 25-26. The author's note: "In 1983, the intellectual liberatization that accompanied the economic responsibility system in the arts, and the unusually outspoken speeches and articles surrounding the 100th anniversary of the death of Karl Marx, were followed by one of the worst seasons for intellectual freedom China has seen in a long time." Ibid., p. 28. the authors detail the major events signifying the liberalization and the then suppression (pp. 28-30). They observed that ". . . the Chinese people were once again reminded to be careful in what they said and did. The fact that ideology, literature, and the arts are still said to be fraught with 'spiritual pollution' is worrisome to those concerned for the future of independent thinking in China." Ibid., p. 31.

(25) Robert Delfs, "Cool gusts menace the warm mood of liberalism," *Far Eastern Economic Review*, December 26, 1985, p. 45.

(26) Ibid., pp. 45-46. Deng stated: "Our writers and artists should try harder to portray and help foster the new socialist man and achieve greater successes in doing so. We must portray the new features of the pioneers in the modernization drive, their revolutionary ideals and scientific approach, their lofty sentiments and creative ability, and their broad and realistic vision . . . We must adhere to the principle put forward by Comrade Mao Zedong – that literature and art should serve the broadest masses and, first of all, the workers, peasants and soldiers . . . Writers and artists should conscientiously study Marxism-Leninism and Mao Zedong thought so as to enhance their own ability to understand and analyse life and to see through appearances to the essence . . . Party committees at all levels should give good leadership to literary and art work." See "Speech Greeting the Fourth Congress of Chinese Writers," Octover 30, 1979, in *Selected Works of Deng Xiaoping* (1975-1982), Beijjing: Foreign Languages Press, 1983, pp. 200-207.

(27) Ibid., p. 45.

(28) George J. Church, "China: Deng Xiaoping leads a far-reaching, audacious but risky Second Revolution," *Time*, January 6, 1986, p. 32. *Time* gave this assess-

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ment of Deng in naming him "Man of the the Year" in 1979 noting that vengeance remained one of his goals as he freed thousands from the perils of the Cultural Revolution (e.g., prison, forced labor): "But at the same time, thousands of radical officials, former Red Guards and Teng's personal enemies have been purged. Teng will not tolerate anyone or anything that stands in his way, nor does he need to in a state that remains as authoritarian as China is today." "Little Man in a Big Hurry," *Time*, January 1, 1979, p. 25.

(29) Mary Lee, "Happy holidays and busy killing fields," *Far Eastern Economic Review*, February 20, 1986, p. 47.

(30) Ibid., p. 48.

(31) Daniel Sotherland, "Cadres' Sons Executed in China," *The Washington Post*, February 21, 1986, pp. A21, A-31; Daniel Southerland, "China Presses Drive Against Corruption," *The Washington Post*, April 15, 1986, p. A11.

(32) Daniel Southerland, "Chinese Official Warns Students," *The Washington Post*, December 9, 1985, p. A19.

(33) Deng Xiaoping, "Uphold the Four Cardinal Principles," March 30, 1979, in *Selected Works of Deng Xiaoping* (1975-1982), pp. 166-191.

(34) Ibid., p. 178.

(35) "The Constitution of the People's Republic of China," in *People's Republic of China Yearbook 1985*, pp. 8-9.

(36) "Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure," in *People's Republic of China Yearbook 1985*, pp. 84-85. This document is reprinted and a discussion of the Deng Xiaoping's "Four Modernizations" is contained in Donald J. Senese, *Sweet and Sour Capitalism: An Analysis of 'Socialism with Chinese Characteristics'*, Washington, D.C.: The Council for Social and Economic Studies, 1985.

(37) David Bonavia and Mary Lee, "Chen's last stand," *Far Eastern Economic Review*, October 3, 1985, pp. 10-12.

(38) Mary Lee and David Bonavia, "Socialist balancing act," *Far Eastern Economic Review*, October 10, 1985, p. 38. See also in same issue Mary Lee, "Four rising stars in the new politburo," pp. 38-39, and Robert Delfs, "Chen Yun: a chilling speech," pp. 39-41. For a comparison of the Deng group and the remnants of the Mao supporters see "Where They Stand: 'Reformists' & 'Conservatives' Express Their Attitudes," *Inside China Mainland*, Institute of Current China Studies, Taipei, Republic of China on Taiwan (May, 1986), pp. 1-7. Also Ying Ching-yao, Chang Chen-pang, and Hung Yu-chiao, *An Anaylsis of Communist China's National Party Conference*, Taipei, Taiwan: World Anti-Communist League (China Chapter) and Asian Pacific Anti-Communist League, 1985.

(39) Deng Xiaoping, "Opening Speech at the Twelfth National Congress of the CPC," in Robert Maxwell (General Editor), *Deng Xiaoping: Speeches and Writings*, Oxford: Pergamon Press, 1985, pp. 86-87.

(40) Most scholars decline to express an opinion as to whether specific Marxist authors are sincere when they use the term 'democracy' in the context of 'totalitarian democracy' or whether some of them are exploiting the favorable connotations associated with the term 'democracy' in contemporary usage.

(41) "Mao Zedong Thought Must Be Correctly Understood As An Integral Whole," July 21, 1977, in *Selected Works of Deng Xiaoping* (1975-1982), Beijing: Foreign Languages Press, 1984, p. 58.

(42) Jürgen Domes, *The Government and Politics of the PRC: A Time of Transition*, Boulder and London: Westview Press, 1985, p. 68.

(43) Ibid., p. 69.

(44) J.L. Talmon, *The Rise of Totalitarian Democracy*, Boston: The Beacon Press, 1952, p. 249.

(45) Ibid., pp. 249-250.

(46) Ibid., pp. 250-251.

(47) Ibid., pp. 1, 2, 6.

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(48) Ludwig von Mises, *Omnipotent Government: The Rise of the Total State and Total War*, New Haven: Yale University Press, 1944, pp. 51-53.

(49) Talmon, *The Rise of Totalitarian Democracy*, p. 253. The full thought deserves quotation: "This is the curse on salvationist creeds: to be born out of the noblest impulses of man, and to degenerate into weapons of tyranny. An exclusive creed cannot admit opposition. It is bound to feel itself surrounded by innumerable enemies. Its believers can never settle down to a normal existence. From this sense of peril arise their continual demands for the protection of orthodoxy by recourse to terror. Those who are not enemies must be made to appear as fervent believers with the help of emotional manifestations and engineered unanimity at public meetings or at the polls. Political Messianism is bound to replace empirical thinking and free criticism with reasoning by definition, based on a *priori* collective concepts which must be accepted whatever the evidence of the senses: however selfish or evil the men who happen to come to the top, they must be good and infallible, since they embody the pure doctrine and are the people's government: in a people's democracy the ordinary competitive, self-assertive and anti-social instincts cease as it were to exist: a Workers' State cannot be imperialist by definition." Ibid.

(50) Morton A. Kaplan (editor), *The Many Faces of Marxism*, New York: The Free Press, 1978, p. 2.

(51) Ibid., p. 3. Lenin believed in full submission of Party members to Party rules and decisions: "The leadership role of the party also excluded democracy within it; unity was too precious and too fragile." See Robert G. Wesson, *Why Marxism: The Continuing Success of a Failed Theory*, New York: Basic Books, Inc., 1975, pp. 52-53.

(52) Edmund Wilson, *To the Finland Station: A Study in the Writing and Acting of History*, New York: Farrar, Straus and Giroux, 1972, pp. 451-452.

(53) Stefan T. Possony, *The Lenin Reader: The Outstanding Works of V.I. Lenin*, Chicago: Henry Regnery, 1966, pp. 189, 201-202.

(54) Ibid.

(55) Ibid., p. 170. Lenin adds: "What is control? . . . In order to control, one must have power." Ibid.

(56) Ibid., p. 177.

(57) Ibid., pp. 177-178. Lenin used the "right of assembly" as an example. The right of assembly constituted an important feature of Western style or liberal democracy. To Lenin the right of assembly only gave power to the exploiters who would use the Assembly (legislative body) formed to protect their own interests and were the only ones who had the leisure time to attend the assembly meetings. Thus the right of assembly as an element of "pure democracy" was a sham and hypocritical. Lenin justified the abolition of the right of assembly as a blow against liberal democracy in favor of his "new democracy." The "new democracy" would give real meaning to the right of assembly when real equality was achieved, the exploiters had been deprived of their property, and the toilers given leisure and protection by the armed forces. Ibid., pp. 178-179.

(58) Ibid., p. 240.

(59) Stuart R. Schram, *The Political Thought of Mao Tse-tung*, New York: Frederick A. Praeger, 1969, pp. 35, 37, 134.

(60) Ibid., pp. 96-98. Mao devoted a speech to the problem of democratic centralism – how to realize it and how to promote democracy within and outside of the Communist Party in his "Talk at an Enlarged Central Work Conference," January 30, 1962. See Stuart R. Schram, *Chairman Mao Talks to the People: Talks and Letters, 1956-1971*, New York: Pantheon Books, 1974, pp. 158-187.

(61) "Uphold the Four Cardinal Principles," March 30, 1979, *Selected Works of Deng Xiaoping* (1975-1982),] ; 172.

(62) Ibid., p. 183.

(63) Domes, *The Government and Politics of the PRC: A Time of Transition*, pp. 91-92, 101.

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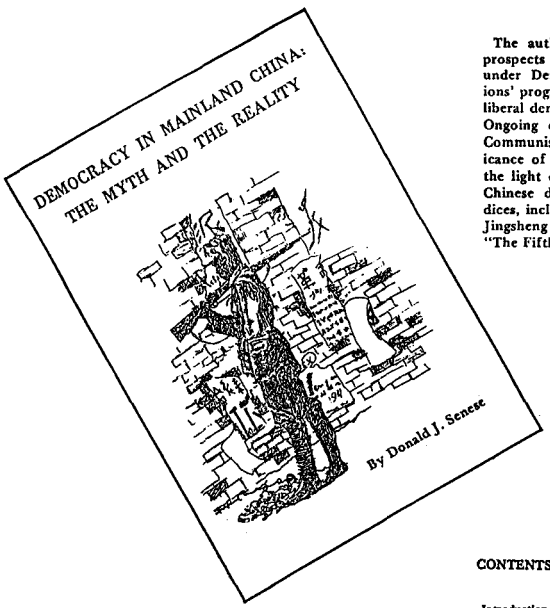
DEMOCRACY IN MAINLAND CHINA: THE MYTH AND THE REALITY



The author focuses on the questionable prospects for democracy in Mainland China under Deng Xiaoping's 'Four Modernizations' program, showing the contrast between liberal democracy and 'socialist democracy'. Ongoing developments within the Chinese Communist Party are traced, and the significance of "Democracy Wall" is analysed in the light of subsequent events. Three major Chinese documents are printed as appendices, including the revealing treatise by Wei Jingsheng (of Democracy Wall fame) entitled "The Fifth Modernization".

By DONALD J. SENESE

Introduction by Trent Lott, M.C.

CONTENTS

Introduction by Trent Lott, M.C.

Chapter

I The Structure of the Communist System in China

II The Other "Democracies" – Totalitarian Democracy and Democratic Centralism

III Movements Against Democratic Reform

Appendices:

I "The Fifth Modernization" by Wei Jing-sheng

II Speech by Peng Zhen entitled "Strive to Study Basic Marxist Theories"

III Article by Zhang Xianyang and Wang Guixiu: "Master Marxist Theory in Light of New Realities"

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THE ISLAMIC BANKING SYSTEM IN IRAN AND PAKISTAN

By Mohsin S. Khan and Abbas Mirakhor

The resurgence of fundamental Islamic values in many parts of the world has manifested itself on the economic front as well, with a number of Muslim countries moving toward the transformation of the economic systems — especially the banking systems — to conform more closely with the precepts of Islam. Developments in the Islamic Republic of Iran and Pakistan have been particularly intensive and have attracted wide interest, both in other Muslim countries and elsewhere.

The popular conception of the Islamic economic and financial system is that is differs from other systems only in that it proscribes interest. Since the elimination of interest has generally been the first step in the Islamization of the economy, it is perhaps only natural that the institution of interest-free banking has received the most attention. While the abolition of interest-based transactions is a central tenet of the Islamic economic system, it is by no means an adequate description of the system as a whole.

Broadly speaking, "Islamic economics" defines a complete system that prescribes specific patterns of economic behavior for all individuals and society within an Islamic way of life.

At the core of the Islamic economic system lies a collection of immutable and universal rules that affect economic behavior and relationships. These rules are specified by the *Shariah*, namely, the codification of injunctions given in the Quran, and the traditions of the Prophet Mohammed. On the periphery there are also rules and institutions which affect economic behavior, but which are subject to change depending on circumstances. Economic policy, designed by legitimate authorities, may vary from one Muslim society to another only with respect to the periphery of the system. Such policies must be compatible with the *Shariah*.

Some of the key elements of the core of the Islamic economic system are the following:

- *Individual rights.* In Islam individual rights are a consequence of human obligations and not an antecedent to them. When these obligations are fulfilled, certain rights are gained. Islam stresses the need to respect the obligations as well as the

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rights of individuals, among them is first the duty, and then the right, of the individual to pursue his economic interests, within the framework of the *Shariah*.

- *Property rights.* Property rights in Islam are the result of three basic principles. The first asserts that God is the ultimate owner of all property; for man to become materially able to perform his duties, he has been given the right of possession as a trust. Second, property is only a means of achieving higher objectives and not an end in itself, and all members of the society share the natural resources at man's disposal. The third principle, called the principle of invariance of ownership, is derived from the first two. This establishes the rights of society and of other individuals in the final product. These rights are protected by the *Shariah* through the limitations imposed on the disposition of property and the wealth resulting from it.
- *Contracts.* Islam places all economic relations, including exchange, on the firm footing of contracts. The freedom to enter into contracts, designed within the framework of the *Shariah*, and the obligation to remain faithful to their stipulation has been deeply emphasized in Islam.
- *Prohibition of interest.* The Quran forcefully prohibits the payment and receipt of interest, or *riba*. Strictly speaking, the term *riba* refers to the addition to the amount of principal of a loan on the basis of time for which it is loaned, or of the time for which the payment is deferred. In accordance with Islamic jurisprudence it signifies the additional money charged in a money-money type exchange or the uncompensated increase in a commodity-commodity transaction. There is now a consensus of opinion among Muslim scholars that this prohibition extends to any and all forms of interest.
- *Work and wealth.* Islam exalts work and considers it as an inseparable dimension of faith itself. Conversely, idleness is viewed as a manifestation of unbelief in the religion. All persons are exhorted to work in order to earn their living, and no one who is physically and mentally able is allowed to become a liability to his family or the state through idleness and voluntary unemployment.

Wealth itself is considered as an important means by which man can pave the way for the attainment of his ultimate objective. It is considered among the highest blessings bestowed on man and everyone is encouraged to strive for it. However, the methods, of earning, possession, and disposition are defined by

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the *Shariah*. Among the rules are those relating to extravagance in consumption, waste, the obligation of sharing (through mandatory levies); and those on inheritance.

Islamic Banking

Islamic banking, clearly, is intended to operate within an economic system some of whose features have been briefly described above. The principle restriction under which the financial system must work is the injunction against interest. However, what is forbidden is the fixed or predetermined return on financial transactions and not an uncertain rate of return, represented, for example, by profits.

Money represents the monetized claim of its owner to property rights created by assets that were obtained through work or transfer. Lending money, in effect, is a transfer of this right and all that can be claimed in return is its equivalent and no more. Thus, interest on money is considered as representing unjustified creation of instantaneous property rights: unjustified, because interest is property right claimed outside the legitimate framework of recognized property rights; instantaneous, because as soon as the contract for lending upon interest is concluded, a right to the borrower's property is created for the lender. On the other hand, when the financial capital of the lender is used in partnership with the human capital and labor of the entrepreneur, the lender's right to his property is not transferred and he shares, as co-owner, the final product his money has helped to create. He will be remunerated in proportion to his financial investment in the ensuing incremental wealth. This emphasis on profit-sharing provides the basis for the development of an Islamic financial system.

In broad terms, the transformation of banking from an interest-based system to one that relies on profit- and loss-sharing makes an Islamic banking system essentially an equity-based system. In such a system depositors are treated as if they were the shareholders of the bank, and consequently are not guaranteed a nominal value, or a predetermined rate of return, on their deposits. If the bank makes a profit, the shareholder (depositor) is entitled to receive a certain share of it; on the other hand, if the bank incurs a loss, the depositor is expected to share in it and thus receive a negative rate of return. From the depositors' perspective, then, an Islamic bank is in most respects identical to a mutual fund or an investment trust.

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Sources of funds. Besides it own capital and equity, the main sources of funds for Islamic banks would be two forms of deposits – transaction deposits and investment deposits.

Transaction desposits are directly related to transactions and payment, and can be regarded as equivalent to demand desposits in a conventional banking system. Although a bank would guarantee the nominal value of the deposit, it would pay no return on this type of liability. Generally speaking, funds mobilized through this source cannot be used for profitable investment by banks. As such, banks would presumably have to levy a service charge on deposit holders to cover the cost of administering this type of account.

Investment deposits constitute the principal source of funds for banks and they more closely resemble shares in a firm, rather than time and saving deposits of the customary sort. The bank offering investment deposits would provide no guarantee on their nominal value, and would not pay a fixed rate of return. Depositors, instead, would be treated as if they were shareholders and therefore entitled to a share of the profits or losses made by the bank. The only contractual agreement between the depositor and the bank is the proportion in which profits and losses are to be distributed. The profit- or loss-sharing ratio has to be agreed in advance of the transaction between the bank and the depositors, and cannot be altered during the life of the contract, except by mutual consent.

Lending operations of banks. Islamic banks also are required by the *Shariah* to apply the same principles of profit- and loss-sharing in their loan operations. The two methods that fully satisfy the requirements of the law on the lending side are *Mudarabah* and *Musharakah* arrangements.

Under *Mudarabah* arrangements surplus funds are made available by the owner to the entrepreneur to be invested in a productive economic activity in return for a predetermined share of the profits earned. Financial losses are borne exclusively by the lender. The borrower, as such, loses only the time and effort invested in the venture. This arrangement, therefore, effectively places human capital on par with financial capital.

A *Musharakah* transaction is one in which there is more than a single contributor of funds. All parties invest in varying proportions and the profits and losses are shared strictly in relation to their respective capital contributions. The essential difference between the two forms of financing is the number of parties

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involved in the transaction and, indeed, *Musharakah* financing corresponds closely to an equity market in which shares can be acquired by the public, banks, and even the central bank and the government. For example, firms desiring to raise funds for investment could use this mechanism and offer *Musharakah* certificates in the market. Such certificates would be, in effect, transferable corporate instruments secured by the assets of the company. Their price, and the implicit rate of return, would be determined by the market.

Other modes of financing. In cases where profit-loss sharing cannot be implemented, for example, in the case of small-scale borrowers or for consumption loans, a number of alternative instruments for investment and financing are available to banks. These include deferred payment sales or "mark up," purchase with deferred delivery (known as *Bai'salam*), lease-purchase, beneficence loans, and the levying of a service charge.

Practical Applications

At present, about 45 countries, encompassing most of the Moslem world, have some form of Islamic banking or financial institution. Most of these have been established since the second half of the 1970s. This development has basically taken two forms. The first has been an attempt to establish Islamic financial institutions side by side with traditional banking. In such attempts, two types of institutions have evolved. Islamic commercial banks established mostly in Muslim countries, and Islamic investment and holding companies operating in some Muslim, but mostly in non-Moslim, countries, in both cases, generally, the banking operations of Islamic banks are subject to the specific regulations that apply to all banks. Examples of the first category are Faisal Islamic Banks in Egypt and Sudan, the Dubai Islamic Bank, and the Jordan Islamic Bank. Examples of the second — that is, investment holding companies having either a national or international mandate — include the Darul Mal Al-Islami (Geneva), the Islamic Investment Company (Bahamas), and the Bahrain Islamic Investment Bank. These institutions compete with conventional banks to attract deposits from Muslims who wished to avoid interest and invest these funds wherever they find profitable investment opportunities. The majority of these institutions were established through private initiatives.

The second form has involved an attempt to restructure the

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whole financial system of the economy to accord with Islamic precepts. This has taken two approaches, one in which the entire economy and its institutions, including financial, are transformed into an Islamic one, as in the Islamic Republic of Iran, and the other where total Islamization of the economy is undertaken through a gradual process beginning with the banking sector, as in Pakistan.

Islamic Republic of Iran

The most comprehensive implementation of the Islamic financial system to date has taken place in Iran. This is only natural in that the Islamic Revolution was meant to transform the total society. Because banking in Iran is an integral part of the much broader Islamic system, it should provide the most far reaching test of the effectiveness of Islamic banking within its natural framework of a total Islamic system.

Immediately following the Revolution steps were taken to transform the banking system by first nationalizing and then streamlining the system. The Bank Nationalization Act of 1979 reduced the number of banks from 36 to 9 and the total number of bank branches or offices were reduced by nearly 2,000. After this reorganization, interest was eliminated from banking operations and replaced by a service charge and minimum rates of profit, while the Law of Usury (Interest)- Free Banking was being developed for submission to the Parliament. The law, was passed in late 1983 and implemented beginning March 21, 1984.

This law established 14 different modes of approved transactions and financing and 4 modes of transactions on the liability side. It required that all tansactions be based on these specified modes of finance, that existing transactions be converted to the prescribed method within a year for deposits, and that all banking operations be carried out in accordance with the new law within three years after its enactment. While no returns are to be paid on current or saving deposits, the latter will be eligible for variable prizes and bonuses. The investment deposits can be utilized in two ways. The bank can either employ the funds on behalf of the depositor (as a trustee) to invest in profitable projects, in which case the depositor receives all the profits earned and the bank receives a commission; alternatively, the bank can use the depositor's funds along with its own resources and pay the depositor a predetermined por-

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tion of the profits earned.

The deposits of all banks were transformed into Islamic modes well before the legislated deadline. At present, the asset side of banks' balance sheets is being transformed into Islamic modes and it is expected that this transformation will be completed well before the legislated deadline. Because of a deemphasis on collateral and creditworthiness of the borrower, and reliance on the viability and profitability of projects, the banks' clients, particularly in manufacturing, industrial, and agricultural sectors, have been encouraged to submit new investment projects for financing on a profit-sharing basis. A significant innovation by the banks has been their willingness to combine a variety of financing modes in order to provide the most financially advantageous package for their clients. The most serious difficulty faced by the banks has been the lack of trained and skilled staff (in the *Shariah* as well as banking) to appraise and monitor investment projects.

Pakistan

The process of Islamization of the banking system in Pakistan was initiated in 1979-80, when banks were allowed to accept deposits on a profit-loss sharing (PLS) basis. In June 1984 the Government announced a program for phased transformation of the entire financial system, including commercial and specialized banks as well as nonbank financial institutions, to non-interest-bearing Islamic financial modes during 1984-85. As of July 1, 1984, all financial institutions were allowed to carry out transactions on the basis of either Islamic or interest-based modes, on condition that interest based accommodation for working capital would not be provided or renewed for more than six months. Effective January 1, 1985, all transactions with the Federal and Provincial Governments, public sector corporations, and public or private joint stock companies have been based on Islamic modes and, from April 1, 1985, all financing to all entitites and individuals had to be on an Islamic basis. The State Bank of Pakistan (the central bank) is empowered to determine for each permissible mode of Islamic financing the maximum and minimum rates of return to financial institutions. However, the specific instrument and the terms of any financial arrangements are to be agreed upon between the institutions and the clients.

Even though a wide variety of banking modes is permitted,

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ranging from service fees to equity participation on the PLS basis, over 90 percent of bank lending has, up to now, been done on the basis of mark-up, mainly because of operatonal convenience. Mark-ups can vary according to the type of transaction or expected profit of the client, but within a range of 10-20 percent as prescribed by the State Bank of Pakistan. Depositors are assured of the security of their deposits and a share in the bank's earnings on the PLS basis.

The early experience of Pakistan has shown that the implementation of Islamic banking has not impaired the effectiveness of monetary policy. In fact, it is believed that the new system, by permitting variations in the range of mark-up rates as well as profit-sharing ratios, has enhanced the ability of the monetary authorities to affect allocation of financial resources. The effectiveness of the primary instrument of monetary policy, namely credit allocation, has remained unaffected. It is expected that through the gradual process of Islamization some significant changes will take place in the legal and institutional framework, which will enhance the transformation of the total system. Among these are: changes in the attitude of banks towards medium- and long-term lending on *Mudarabah* and *Musharakah* basis; comprehensive retraining of staff to enable them to evaluate and appraise investment projects; reform of the auditing and monitoring system; establishment of an efficient equity market and development of a secondary market; and the establishment of an efficient judicial arbitration system and legal framework to allow for settlement of disputes.

Conclusion

Policy makers in Islamic countries face a number of difficult problems as they move toward transforming their economies to be consistent with religious principles. There are many macroeconomic and financial issues that are as yet unresolved. These include among others, the respective roles of monetary, fiscal, and exchange rate policies; the effects of changes in the system on financial intermediation, savings, and investment; and the impact of the change in financial institutions on growth and development. During the transition many seemingly ad hoc and second-best policies have needed to be adopted, but this is only natural as Islamization represents an attempt to apply Islamic rules and codes of economic behavior in countries in which

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economic and financial systems of largely foreign provenance have become well established.

This topic is examined in more detail by the authors in *Finance & Development* Vol. 23 No. 3 (September 1986) under the title "The Framework and Practice of Islamic Banking."

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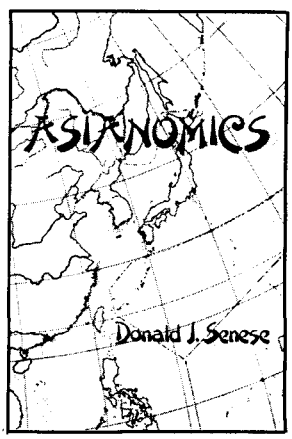

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VENEZUELA'S ECONOMIC CRISIS: ORIGINS AND SUCCESSES IN STABILIZATION

By Robert E. Looney

Venezuela is embroiled in the worst economic crisis it has experienced in more than two decades. The crisis began in 1983 and is marked by heavy foreign debt, a stagnant economy, the highest unemployment on record, a general lack of confidence, uncertain revenues from oil exports, an unstable currency and a government burdened with bloated payrolls and a host of money-losing state enterprises.

Throughout the post-war period until the end of the 1970s Venezuela experienced continuous high economic growth. The pace of growth accelerated during the free-spending years following on the first world oil price shock in 1973-74. However, momentum began to be lost in 1978, and a long period of stagnation commenced the following year as the authorities reined in expenditure to cool-down what was considered an overheated economy. The picture worsened when oil revenues began to fall from the peak value of $19.1 billion attained in 1981.

The crisis finally broke in February of 1983. The bolivar was devalued through the introduction of a complicated multi-tiered exchange rate regime, and an elaborate control system was established to disburse preferential dollars for imports and foreign debt payments. At the same time a moratorium was declared on the amortisation of the 27.5 billion dollar overseas debt of the public sector, and negotiations were started for the restructuring of these obligations.

Venezuela's years of economic boom and easy money are over. Income from petroleum exports – which make up around 95 percent of Venezuela's total exports – are the barometer of the nation's economic activity, and have declined significantly since 1983 with little improvement in sight. The country today faces a combination of economic, financial and social problems greater than any seen since the tumultuous days of the early 1960s. Clearly much of the countries current problems can be traced to wasteful spending. This survey seeks to trace the developments leading up to the current economic crisis. An analysis of the government's response to the crisis is made in

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an attempt to determine whether the country will soon return to its historical budgetary patterns.

Origins of the 1983-1986 Economic Crisis

From 1974 to 1978, Venezuela's gross domestic product (GDP) rose by around 5 percent a year as the government of President Carlos Andres Perez used abundant petroleum revenues plus proceeds from foreign borrowing to finance an ambitious public investment program and heavy spending in social services.(1) Besides frenzied economic activity, the 1974-1978 period was characterized by unbridled government spending, increased inflation, burgeoning state bureaucracy, shortages of common consumption items, deteriorating public services, corruption and high levels of waste and inefficiency.

The administration of President Luis Herrera Campins, which took office in March of 1979, attempted to cope with the major imbalances which had developed during the previous period:(2)

1. The government pushed ahead with ongoing development projects;
2. The authorities pursued a restrictive monetary policy;
3. Officials allowed many prices to be freed from controls;
4. At least at the outset, the government adopted a generally pro-business attitude.

However, with the new wave of oil price increases in 1978-1979, the Herrera government began to repeat most of its predecessor's errors.(3) The record thus far shows that under the Herrera administration (1979-1984), the country experienced almost no growth in real GDP. Since 1979, the economy has been characterized by:

1. Rising unemployment,
2. Substantial increases in imports,
3. A serious weakening of foreign reserves,
4. High inflation (1978-1981) followed by a significant reduction beginning in 1982,
5. An even larger state bureaucracy, and
6. Continued heavy financial losses by government-owned enterprises.

Complicating these problems further was the government's incompetent planning and management of its foreign debt.

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Eventually by 1983, the administration had slid into a full-blown crisis.

Major problems in the international oil market in 1982(4) caused a sharp decrease in income from exports, while general government mismanagement is estimated to have cost some $8 billion.

Early in 1983, continued weakness on the world oil market, plus inability to refinance maturing government external debt, caused capital outflows to gain momentum: the authorities imposed exchange controls in mid-February and instituted a three-tiered exchange rate for the Venezuelan bolivar.

The Herrera administration also began to recognize early in 1983 that it would not be able to repay to foreign banks the more than $18 billion in interest and principal coming due in 1983-1984. This inability to pay was the result both of the government's failure to establish a practical debt service profile (considerable short-term borrowing carried out in 1980-1981 was allowed to accumulate), and the reluctance of many international banks to refinance government debt in Latin America in the wake of the 1982 Falklands War.

At the beginning of 1983, the government began asking banks to grant a moratorium on principal payments for most of its outstanding loans. Talks have been underway to reschedule much of Venezuela's public foreign debt.

In short, the beginning of 1983 was marked by an external payments crisis(5) brought about by a heavy accumulation of external public debt service obligations, a virtual halt of capital flows from international sources of credit, a drop in export earnings and — because of expectations of devaluation — a substantial outflow of foreign exchange through capital flight.

In February 1983, as losses of international reserves mounted and debt service obligations fell behind schedule, the long-standing fixed exchange rate policy under which foreign currencies were freely bought and sold was replaced by a system of temporary exchange controls. These controls operated through a three-tiered exchange market system. At the same time, extensions on the payment of arrears on short-term external public debts to creditor banks continued to be granted. Meanwhile, the new exchange control system and depressed domestic demand led to a sharp drop in imports. The crisis in the external sector and its contradictory effects on income and public spending, together with the measures which the government adopted to

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deal with the crisis, brought down real personal income, in turn leading to depressed domestic consumption and a drop in investment, particularly in private construction and inventories.

In the external sector, the drop in international oil prices and the OPEC quotas on export volumes led to an 11 percent decrease in export earnings. Nevertheless, the current account balance showed a surplus of $5.017 billion, since the value of imports fell by 61 percent and net expenditures for foreign travel by 69 percent. These declines were due to the domestic recession and the introduction of the new exchange control system.

The non-monetary capital account balance shifted from a large net inflow in 1982 to a deficit of $4.57 billion in 1984. This reversal was caused by a virtual cessation of flows of external financial credit and by outlays for amortization of medium- and long-term external debt. This result, together with exchange controls and discouragement of capital flight, plus a modest inflow of monetary capital ($240 million), produced a virtual equilibrium in the balance of payments, in contrast to the high deficit of the previous year. By the close of fiscal 1983, the Central Bank's international reserves had improved slightly to $11.149 billion. This figure was about one and a half times the value of the external debt service in 1984, assuming that the rescheduling obtained did not include short-term debt amortization in that year.

Treasury expenditures continued to feel the expansionary effects of public interest payments (including some amortization) and the cost of the Central Government's operating expenditures. However, the Treasury did not pay the entire external public debt that had matured since 1983 because of the moratorium that was in effect. In addition, transfers to the rest of the public sector, subsidies for consumer spending and production, and direct and indirect investment by the government all fell substantially. The net result has been a slight rise in total central government spending from 27.8 to 28.2 percent of GDP.

Lower oil earnings, substantially smaller imports, and declining production and domestic trade led to a reduction of almost 17 percent in current Treasury revenue relative to 1982. The changes in the exchange system, along with the fiscal share of the reappraised value of gold reserves, however, gave the government a special source of revenue equivalent to 22 percent of

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the previous year's total revenue. Counting resources from the smaller sources, the net effect of these developments was an increase in current revenue from 26 percent of GDP in 1982 to 27.4 percent in 1983, and a drop in the fiscal deficit from 1.5 to 0.8 percent of GDP.

At the same time, private domestic investment fell to 25 percent of its 1979 level, unemployment doubled to an official 15 percent, real GDP fell by 4.8 percent and private per capita consumption fell by 6 percent.

The Central Government budget for 1984 called for spending of Bs 74 billion with 56 percent marked for current expenditures, 23 percent for debt service and only 21 percent for investments. The government managed to raise outlays but was restrained by IMF economic pressure.

As a result in 1984, the Central Government spent Bs 85.9 billion as compared by Bs 92.2 billion in 1981 and Bs 68.6 billion in 1980. The overall government deficit for 1983 (including Central Government state-owned enterprises, autonomous institutions, etc.) was Bs 9.5 billion, down from Bs 25 billion in losses in 1982 and Bs 9.9 billion in deficit in 1981.

In short, the government's economic and monetary policy in recent years has earned poor grades. Its goals of achieving economic growth, attracting new investment (foreign and domestic), creating new jobs in the private sector, maintaining monetary stability and foreign reserves, and instilling confidence in the economy had been a dismal failure. Inflation, one of the government's prime targets, was controlled in 1982 through restrictive monetary policies but flared up again in 1983 and 1984 and was expected to continue to rise in 1985.

Efforts to control foreign borrowing by state agencies and repay foreign debt have been totally unsuccessful and the country is now faced with the need to reschedule its public and private sector debt. The government-owned financial institutions (excluding the Central Bank and Venezuelan Investment Fund) have been major money losers; oft-stated official goals in health, education, housing and other social services have logged results ranging from fair to poor.

In summary, Venezuela's crisis has been essentially financial, triggered by a sharp fall in its oil export income (from $19.1 billion in 1981 to $15.81 billion in 1984) and an inability to continue borrowing abroad. An overvalued currency and mas-

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sive capital flight progressively worsened Venezuela's international financial position and the country and its banks came to realize that it had a massive debt, largely short term, which could not be paid when due. The country is gradually having to readjust to the need to live with sharply reduced oil revenues without new foreign borrowing.

Politically, broad divisions existed between the Social Christian government of Herrera and the opposition Democratic Action Party (AD). As late as 1983, Herrera and his advisors continued to insist upon austerity, a reordering of government finances and assignment of higher priority to social welfare than to infrastructural development. Critics attacked the absence of economic growth, rising inflation and unemployment, and alleged bureaucratic mismanagement. Agreement on the undesirability of inflation, unemployment, a stagnant agricultural sector and the like did not provide accord on measures to improve the economy.(6) In general, the President's policies reflected a commitment to a form of modified Thatcherism: a curbing of wasteful public spending and rationalization of investments in agriculture, power, housing, social programs, etc. The opposition AD promised a new approach to the economy and won the general election in December 1983.

The Lusinchi Austerity Program

The new administration of Jaime Lusinchi set the government's major economic priorities at rebuilding investor confidence and making full use of private sector's productive potential to reactivate the national economy. In addition, the new administration's specific economic goals are to create new jobs, control inflation, gradually unify the bolivar's exchange rate and balance the nation's international accounts. The immediate priority has been to reschedule the public sector's foreign debt and implement a plan for refinancing the public sector's foreign loans.(7)

The Lusinchi administration's economic program, essentially complete by mid-1984, was aimed at making the government more efficient and at cushioning the impact of readjustment on the poorer strata of society. Specific measures included:(8)

1. Exchange Controls: While the multiple rate system has been continued, the bolivar has been further devalued by moving most imports previously on the Bs 4.3 and Bs 6.0 lists

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to Bs 7.5/dollar. Essential food imports and medicines remain at Bs 4.3/dollars, as do principal repayments on private debt and public enterprise debt,

Travel abroad, profit remittances, personal financial transfers, and certain imports and exports other than Petroleos de Venezuela and Ferrominera (the government-owned iron ore mining and exporting firm) are at the open market exchange rate, currently at about Bs 12/dollar.

2. Price Controls: The Law of Cost, Prices and Salaries, passed in early July 1984, replaces the administered price system, which had placed controls on all prices. The new system provides for a special commission to exercise control over prices of all basic necessities. The panel is made up of three cabinet members (insuring a government majority), a member from the principal private sector organization (Fedcamaras) and one from the Venezuelan Labor Federation (CTV). The commission's determination on prices of basic necessities (i.e., mass consumption goods and services) will be binding unless overruled by the government in special cases. Prices on other products and services are apparently not scheduled to be formally controlled, but government offices have warned firms not to increase prices unreasonably.

3. Controls on Imports: Widespread import controls remain in effect. In addition, the exchange control system is being used to limit the amount of foreign exchange for import of products (e.g., capital goods, computers) which qualify for preferential foreign exchange. Through such import restrictions, the government hopes to boost domestic import-substituting industries.

4. Government Austerity: Public sector receipts and expenditures were virtually in balance in 1984-85, with a surplus achieved in 1985. On the income side, this reflects increased revenues from foreign exchange profits and petroleum price increases. While new social programs will add significantly to government expenditures, the administration is continuing to hold down capital expenditures, and has decided on a 10 percent reduction in regular current outlays.

In addition, the administration has begun to liquidate two major money losers, the Venezuelan Development Corporation (CVF) and the Agricultural Marketing Corporation (CMA), and to reorganize many of the hundreds of other state-owned enterprises and agencies. Salaries of public sector employees

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earning over Bs 16,000 per month have been cut by 10 percent and those earning over Bs 10,000 per month are not to receive salary increases.

5. Social Welfare: The government has announced various measures to protect labor and other less advantaged groups from the effects of the recession and devaluation. Employers are required to pay workers earning less than Bs 3000 per month a "transportation bonus" of Bs 100 per month. Private enterprises with 10 or more employees are required to increase their employment by 10 percent from January 31 levels. Private firms with 50 or more employees are also obliged to provide subsidized employee cafeteria facilities, or a payment to cover a daily meal. A special employment program (to provide maintenance work on a nationwide scale) uses private contractors for public works maintenance and eventually will employ up to 100,000 workers, 20,000 in the first phase. The Family Food Basket program will provide Bs 300 to Bs 900 per month in food coupons to an estimated 970,000 families with monthly incomes below Bs 2000.

Budget restraint, including restrictions on both capital spending and ordinary current expenditures, has resulted in balanced public sector accounts. While price controls are being used to prevent excessive inflation, some price liberalization is underway. Social measures include a 10 percent increase in private sector employment, a Bs 100 per month transportation bonus and subsidized meals for workers earning less than Bs 3000 per month. Inflation, which was less than 10 percent in 1983, may however be in the 15-20 percent range for 1984-1985.(9)

External Debt

In terms of resolving the country's external debt crisis, foreign banks originally indicated they would not agree to a rescheduling unless the IMF gives its approval to an acceptable economic recovery plan for the Venezuelan government. The Venezuelan government has been generally in agreement with the IMF's recommendations, although they view several of the IMF measures as particularly harsh if implemented over too short a period of time.

In synthesis the IMF recommended that the government:(10)

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1. Cut state spending substantially;
2. Institute new taxes, especially a sales or value-added tax;
3. Revoke subsidies on domestic oil prices, bringing them up to international levels;
4. Move to a unified exchange rate as quickly as possible, preferably opting for a single floating rate guided by a target for international reserves;
5. Eliminate domestic price controls and most bans on imported goods;
6. Continue allowing free interest rates.

Venezuela refused to negotiate with the IMF as its creditor banks demanded because, with its large oil export revenues, it had little need for the relatively small amount of funds which the IMF provides or for new money from lender banks.

As noted above, however, Venezuela took many of the steps nations take as part of an IMF-imposed austerity program, including cutting back public sector spending and sharply devaluing its currency to make exports cheaper and imports more expensive. Apparently, these and other measures were sufficient to satisfy the concerns of the international financial community.

Venezuela and its major bank lenders reached an agreement in principal in September 1984 to stretch out repayment of $20.75 billion of the nation's $35 billion in foreign debt over the next 12.5 years at a very favorable rate. In fact, this is the first major accord between a debtor nation and its bankers that has not been made in tandem with an austerity program sanctioned by the IMF. The final debt pact remains conditional on the treatment given to Venezuela's $7 to $8 billion in private debt.(11)

In May 1985 the process of restructuring the country's debt was finally resolved. Negotiations between the banks and the government had bogged down while the government worked to develop mechanisms that would permit private Venezuelan debtors to begin paying their creditors abroad. This is now resolved with the government offering the private sector foreign exchange at a preferential rate of 4.3 Bs/ per dollar over a five year period which began in April 1986.

The greatest stumbling block to a restructuring agreement according to many bankers had been the Lusinchi government's

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inability to deal effectively with the private sector's debt problems. In the third quarter of 1984, the government moved to provide foreign currency at subsidized rates to aid the private sector in serving its $8 billion in foreign debt. Since the private sector debt was contracted at Bs 4.3/dollar, many firms would be unable to pay it off at the much higher open market rates. Under government decrees, certain categories of that debt were entitled to foreign exchange at preferential rate for interest and, if rescheduled over seven years, for principal. But despite repeated pledges that official attention would be focused on the private foreign debt, the government's debt registration has progressed very slowly, interest payments are not being made and there is little indication that formulas are being developed that would permit Venezuelan debtor companies to absorb foreign exchange losses.

A major impediment to government action in this area stemmed from the fact that many government officials believed that the private sector's debt problems were separate from the public sector. According to one analysis,(13) this conviction, which stemmed partly from traditional anti-business bias on the part of many Venezuelan bureaucrats and politicians, reflected the Lusinchi government's refusal to acknowledge the state's role in the debt crisis.

Conclusions

It is apparent from the analysis above that the new Lusinchi government will have to refine its policies and take action in an environment whose domiant features are:

1. The need to continue rescheduling the debt in arrears and short term maturities;
2. Low volume of exports and low international oil prices;
3. Severe restraints on the amount of resources available to the public sector for executing programs and reviving the non-petroleum economy;
4. A foreign exchange budget with little room for the imports needed to restore domestic economic activity;
5. A growing number of price increase applications not resolved by the administered price system, and
6. High unemployment and depressed real income of large segments of the population.

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In general, most of the Venezuelan government's principal goals – economic, industrial and social – had been unfulfilled even before the current crisis. Government mismanagement(13) rather than longer run trends in the world environment may be the major factors responsible for the country's current plight. The new restrictions on government spending have clearly affected all levels of state activity and will set limits on the aspirations of the new administration. Major projects in all areas have been slowed by varying degrees or placed on hold until conditions improve.

FOOTNOTES

(1) A recent account of this period is given in David Eugene Blank, *Venezuela: Politics in a Petroleum Republic* (New York: Praeger, 1984); for an excellent evaluation of the longer-term trends see Loring Allen, *Venezuelan Economic Development: A Politico-Economic Analysis* (Greenwich, Connecticut: JAI Press, 1977).

(2) Cf. John Martz "The Crisis of Venezuelan Democracy" *Current History* (February, 1984) pp. 73-77 for an account of the Herrera Campins presidency.

(3) David Eugene Bank, "Oil and Democracy in Venezuela," *Current History* (February, 1980), pp. 71-75.

(4) An excellent account of the recent oil glut and Venezuela's prospects is given in Bijan Mossauar-Rahmani and Fereidun Fesharak, *OPEC and the World Oil Outlook: Rebound of the Exporters?* (London: The Economist Intelligence Unit, 1983).

(5) Data on the Venezuelan balance of payments and fiscal position is taken from the International Monetary Fund, *International Financial Statistics*, various issues.

(6) John Martz "Venezuela" in Jack W. Hopkins, *Latin America and the Contemporary Record*, Volume I (New York: Holmes and Meier Publishers, 1983), p. 375.

(7) Richard Sweeney "Venezuela Moves to Rebuild Confidence" *Journal of Commerce* (February 3, 1984).

(8) Jose de Cordoba "Venezuela's Recovery Plan Well-Received" *Washington Post* (March 4, 1984).

(9) Cf. Andres Oppenheimer "Clamping Down" *Miami Herald* (April 23, 1984).

(10) John Sweeney "Foreign Banks Reject Venezuelan Debt Plan," *Journal of Commerce* (August 8, 1984).

(11) James Rowe "Venezuela Reaches Debt Agreement Without IMF Plan" *Washington Post* (September 24, 1984).

(12) John Sweeney "Venezuelan Debt Agreement Stalled" *Journal of Commerce* (December 12, 1984).

(13) Roger Lowenstein "Mismanagement Caused Venezuela's Credit Crunch" *Wall Street Journal* (May 18, 1984).

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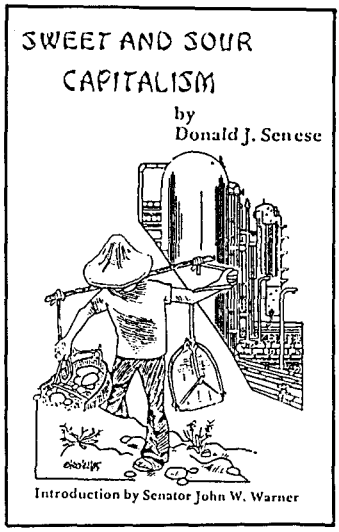

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BOOK REVIEW ARTICLE

BRITAIN AS A BASE FOR REVOLUTION

By Wesley G. Lawrence

LITTLE GERMANY
Exile & Asylum in Victorian England
Rosemary Ashton
Oxford University Press, Oxford, New York

Britain and the United States imported revolution during the past one and a half centuries. On the continent of Europe, repeated uprisings were instigated by an intergenerational core of dedicated revolutionaries whose antecedents date from the 1789 French Revolution. While the 1789 revolution disrupted and essentially eliminated the social framework of the *ancien regime* in France, it did not destroy the established social order in the remainder of Europe, even though Napoleon's subsequent campaigns created considerable havoc. But the combined effect of the French Revolution and Napoleon's sweeping conquests was to ensure that the continental countries never regained any satisfactory degree of social stability. Revolutionary cells thrived thereafter, steadily gaining strength as the nineteenth century progressed, resulting in major upheavals in 1832, 1848, 1871 and on into the twentieth century, until one half of contemporary Europe now labors under communist state tyranny and the other struggles along under a debilitating patchwork of state socialism, revolutionary unionism and elements of chaotic trans-national capitalism.

While we are taught that the ruling classes of eighteenth and nineteenth century Europe were selfish and oppressive, the fact is that their spirit of tolerant paternalism stopped them from suppressing the revolutionary thinkers who inspired the dissident activists. With centuries of leadership tradition behind them, they sought to rule benevolently. In France, the initial 1789 revolution was actually advanced by the idealism of the aristocracy, as much as by any other body. They meant well, and sought to create a better world.

So urbane and tolerant were the rulers of nineteenth century continental Europe, that when informed by their police of the activities of trouble makers, often of alien origin, within their territories, instead of ensuring that these were incarcerated,

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or even authorising execution for treason, the worst sentence they normally regarded as appropriate was a brief term of imprisonment or possibly exile. These measures had little impact, as so many of the dissidents were people without true homelands whose network was in any case international, and who could operate just as well from one country as from another. They felt no real sympathy for the peoples or traditions of any nation, but were sophisticated in the art of exploiting the various peoples among whom they lived. Cajoling and pretending sympathy, they sought every opportunity to provoke discontent and conflict by preaching envy and intolerance. Class warfare and jealousy was the creed that they preached, misery and revolution was their message to the societies that nourished them. The discrediting and overthrow of age-old national institutions was the route by which they sought to gain power and influence for themselves.

Blinded by a tradition of paternalism and tolerance, the leaders of the *ancien regime* remained largely unaware and unbelieving of the depth of the antagonism felt by men like Friedrich Engels and Karl Marx. Engles pretended on the surface to be a loyal member of the British commercial classes but internally he seethed against those classes and keenly opposed to their beliefs, goals and spirit of self-assurance. Similarly, his friend Karl Marx was deeply unhappy man, who rejected both the Christian and the Jewish traditions, and despised his own father for having converted to Christianity.

Thus the benign reaction of continental princes and governments was often merely to expel such troublemakers, not recognizing them as agitators who would eventually promote hatred to the level of bloody revolution. The poor return they received for their restrained tolerance in the face of both character and physical assassination by members of the revolutionary substratum is exemplified by the cruel massacre, following the success of the Bolshevik revolution in Russia, of the imprisoned and defenseless Czarist family, not even whose pet dog was spared. Yet prior to the success of that revolution, the Czarist administration had responded to Lenin's constant and well-publicized activities not by execution after trial for treason, nor even long-term imprisonment, but by the imposition of brief terms of exile. He repaid this civilized treatment by steeping the entire population of Russia in one of the cruelest and most

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extensive blood baths ever to be recorded in the chronicles of mankind.

Relying chiefly on exile as a punishment for revolutionary activities, where these were confined to incitement, the European ruling classes failed in their long struggle against their enemies — a lesson which the revolutionaries did not forget when they themselves came to power, for once in power they took care to ruthlessly exterminate those who challenged them and to impose a rigorous control over freedom of speech which has never been lifted in any communist controlled country.

Thus the tolerantly treated nineteenth century pioneers of revolution tended to move from one country to another, sure of a warm and safe welcome from other members of their international underground network, sometimes facing further expulsion when they became involved in overly aggressive activism in their new country of hospitality. Since the continental countries had already suffered heavily at their hands, they were less welcome in Paris, say, than in London or New York, whose residents had not had first hand experience of the end result of their toils. Thus Britain, especially, being nearer than America to the scene of prime revolutionary activity — the continent — became a favored base for these unwanted and unloved schemers. In Britain they could keep in touch with their co-conspirators on the continent, and also try their hand — unsuccessfully in the short run, but with more telling effect in the long term — at infiltrating their ideas amongst the teachers and workers of the nation which had given them refuge.

In Britain, the revolutionaries tended to congregate in certain areas, London and Manchester being favored. In London, Soho and Leicester Square became major centers with their cheap lodging houses. St. John's Wood, then not so smart as today, also attracted them. Most sought to continue their activities:

> . . . A high proportion of them were educated men and women, who had been teachers and professors at home. Two of them, Friedrich Althaus and Engels' friend Carl Schorlemmer, became professors, at University College London and Owens College, Manchester, respectively. Others, like Freiligrath and Kinkel, tried for chairs and failed, though Kinkel almost succeeded. Many attempted to publish socialist or radical German journals in London,

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> in order to continue their political agitation against German repression. This was the way Marx and Engels chose, but, like many British oppositional papers, their journals failed for lack of finance. Marx made some money from writing articles, largely for American papers, but at no time did he earn enough to live on. Engels had to spend twenty years in the Manchester office of the family firm, Ermen and Engels, to keep himself and the Marx family more or less solvent.

Indeed, Engels was one of the main sources of financial aid for the hard core group that surrounded Marx. Nevertheless, there were numerous income earning opportunities for the revolutionaries in the educational world — a profession wherein they could not only earn a living but also indoctrinate young people with their ideas:

> . . . Moreover, education in England was expanding. North London Collegiate School, and many other educational institutions for women and girls created openings of which some German refugees, notably Gottfried Kinkel and Friedrich Althaus, were able to take advantage on their arrival in England.

The refugees from Germany came under two headings, those who were able to engage in business, and those who devoted themselves to teaching, and writing. Both engaged in plotting:

> The German refugees in England were divided, as the Russian exile Alexander Herzen said, into forty times forty schisms. But they may be studied in interlocking groups, the grouping being on partly chronological, partly political, and partly professional grounds. Thus Engels and his fellow 'communist businessmen', Weerth and Frieligrath, will be discussed together, both because they all first came to England before 1848, and because they came first for professional reasons, though two of them, Engels and Weerth, seized the opportunity to analyse English capitalist society from the communist point of view. Marx and his 'party', consisting chiefly of Liebknecht, Wilhelm Wolff, Ernest Dronke, Wilhelm Pieper, and Peter Imandt, come under the next heading of 'communist intellectuals' . . .

Most were ready to admit, to their own friends and colleagues, that, as Engels chose to put it: "England is undeniably the freest, in other words, the least unfree, country in the

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world" and Johannes Ronge, the leader of a community which styled itself "The Friends of Light" conceded that:

> We are the last to deny or defend the dark side of English life. But if we are to make a comparison, England is without question superior . . . The Englishman does not like to quarrel; he is altogether the most peaceful, well-meaning, human type you can find, and that is certainly the result of long years of political freedom. The police hinder no one in the development of his talents. Thus people here are not bitter and angry.

Working from the security of England, the refugees were able to lay the foundations for international revolution without fear. On the continent, they were liable to expulsion from one country to another, because of their activities, but the British ruling classes took a pride in the tradition of British freedom, which they believed they could extend without fear to persons of non-British origin. Thus in 1853, in the the House of Lords, during a debate in response to complaints from Austria and France about the protection given by Britain to those who were promoting revolution and assassination on the continent, the Earl of Aberdeen proudly referred to Britain's tradition of "general hospitality", arguing that Britain should open its doors to current day revolutionaries just as freely as it had opened them to French men and women fleeing the Jacobin terror two generations earlier.

Yet the revolutionaries returned this hospitality not only by continuing to work for the bloody overthrow of the continental governments, but also by attempting to promote discontent and disturbances in Britain itself:

> . . . Marx and Engels, with their loyal discipes Eccarius and Lessner, the carpenter Lochner, and the painter Pfander, had found by 1867 a genuinely international field for their activities. The founding of the International Working Men's Association in September 1864, with Marx as its undisputed leader until its decline and dissipation in 1872, brought the German communists in England into close working contact with English trade unionism and with international workers' associations for the first time . . .

The British officals most closely concerned with the day to day activities of the revolutionaries, were more realistic than the statesmen who ruled Britain. Thus:

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> . . . . When Marx applied for British citizenship in 1874 — he did so in order to be able to travel to German health spas without fear of arrest — his request was turned down. Scotland Yard's Metropolitan Police Office report noted that Marx was 'the notorious German agitator, the head of the International Society, and an advocate of Communistic principles', adding naively (or disingenuously), 'This man has not been loyal to his own King and Country'. Marx took a risk and travelled anyway, under the old pen-name of 'Charles Williams, gentleman'.

Whenever opportunities arose to return to the continent, many of these political activists did leave their haven of safety and return to participate in the struggle there. Thus Liebknecht returned to Germany in 1867 to help establish the infant German trade union movement, and to found, with the support of Marx and Engels, the German Democratic Party (being one of the first Social Democrats to sit in the Prussian Reichstag) many of whose contemporary leaders, such as Willie Brandt, have retained close links to communism. The exiled revolutionaries seldom lost their ties with the continent, even though Marx had to travel carefully in Germany, as much from fear of his creditors as for his politics. However:

> . . . Until expulsions became rife in Europe, it was easy to move from country to country on the Continent. Marx, Engels, Blind, Ruge, and others shifted not only from city to city during the 1840s to agitate and print their journals, but also from country to country. They would have preferred to be in Paris, Brussels, Geneva, or Zurich when the next revolution looked like breaking out rather than across the sea in London. Links with workers' groups and radical sympathizers at home in Germany were easier to maintain from such centres too, though Schapper and Engels were able to send messages from London to German cities in the 1840s by means of Georg Weerth, a communist who was also a travelling salesman based in Bradford . . .

England, despite its attraction as a free country, angered and annoyed the revolutionaries because of its attachment to a strict system of social and moral values. As Engels wrote:

> You good Germans are told year in, year out by the liberal journalists and parliamentarians what wonderful people, what independent men the English are, and all on

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> account of their free institutions, and from a distance it all looks quite impressive . . . [But] the English Constitution . . . has not made independent men of the English. The English, that is, the educated English, according to whom the national character is judged on the Continent, these English are the most despicable slaves under the sun . . . The rule of public prejudice is everywhere the first consequence of so-called free political institutions, and in England, the politically freest country in Europe, this rule is stronger than anywhere else . . .

What really annoyed these freethinkers was English 'prejudice' in the areas of class and sex. Amongst the emigres, sex incidents were common. August Willich was given free board by a Mrs. von Bruningk, along with other refugees, but "made a brutish assault upon Madam" and was ejected from the house, losing his free board therewith according to Engels, who had to take on his support. Ernst Dronke, a close intimate of Marx, in Manchester, a major center for the more business-minded of the communist emigres, "got drunk and, at one o'clock in the morning or thereabouts, made a grab at a female in the street: she, a married middle class woman, boxed his ears, whereupon he knocked her down." Her husband called the police, and "the result was a fine, which Engels had to pay for Dronke," who was penniless. Victorian England was, indeed, far too inhibited a bourgeois place for such freethinkers.

Marx and Engels gathered around them, in England, a strong group of emigre communists. These included Ferdinard Wolff, Schramm, Pieper, Wilhelm Willich and Dronke. Ferdinand Wolff had helped Marx edit the *Neue Rheinische Zeitung* in 1848, married an English woman, and started a boarding school in Blackburn with the aid of various English clergymen who were attracted to his ideas. Conrad Schramm had been a member of the Communist League in Cologne, until he was arrested and sentenced to a mere two years imprisonment for his treasonous activities. When released, he went first to Paris, and when this became uncomfortable, to America, finally settling in Britain.

Another of Marx and Engels' friends, Wilhelm Pieper, a true "Lothario" who had served as Marx's secretary during the Cologne communist trials, also fled to England, where he was promptly employed by the Rothschild family as a resident tutor for their children. Pieper travelled with the Rothschilds to Frankfurt, tutoring their children, but was dismissed in Decem-

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ber 1851 in the aftermath of a row with the children's mother, Baroness Rothschild, with whom he had been having an affair. Pieper was helped by political friends to find teaching positions at a succession of boarding schools nearby London. But, according to Karl Marx, Pieper's habit of visiting brothels kept his purse permanently depleted, although after a spell in hospital, to receive treatment for syphilis ('serves him right' was Marx's comment), he obtained an appointment as Head Master of a school in Eltham, Kent.

Wilhelm Wolff, another communist refugee, also found employment as a teacher within eight weeks of arriving in England. Peter Imandt, coming from Switzerland, joined the growing communist emigre population in 1852, obtaining a position at a prestigious school in Dundee. Malwida v. Meysenbug became a governess, Eugen Oswald, who served as secretary to Ruge's Agitation Club, found opportunities for subversion in the Working Men's Colleges which had been established earlier between through the good offices of the patriotic English reformer, Charles Kingsley with quite different ideas in mind, and later became a lecturer and examiner, of all places, at the military Greenwich College. A prolific writer, he also interested himself in the Russian revolutionary movement from his position in England.

Arnold Ruge who founded the London Agitation Club for emigre revolutionaries was an older generation activist born in the year 1802, he was sentensed to five years imprisonment for treason in Germany, one of the longer sentences of imprisonment. After his release he contined to agitate in various German cities, but after the failure of the 1848 revolutions he moved to Paris, and thence to London, where he attempted to start revolutionary workers' societies. Finding himself in conflict with Marxist's clique in Britain, he placed his hopes on revolution in Germany, maintaining his contacts in that area.

Karl Tausenau, who had participated in revolutionary activities in Vienna, and spent a brief six months in prison in 1849, was a member of Ruge's Agitation Club, but having the talent to acquire a good English accent, and the sense to dress and mimic the English accurately, he joined the Whittington Club and successfully infiltrated English society, making a good living as a tutor to the children of well-to-do families. He made himself liked by English men and women by adopting a self-effac-

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ing and ingratiating manner, always ready to joke at himself. Like Friedrich Althaus, who won a teaching position at Woking Women's College and later became an examiner at the University of London, he did not abandon his activism, but applied himself in his writings to singling out particular authors for praise or criticism, thereby directing the minds of his pupils and readers skilfully into the path of his thoughts.

It was in London, primarily at the University College and London School of Economics, that these emigres gained their strongest foothold. Isaac Goldsmith, the wealthy Jewish activist, endowed several chairs at University College and these tended to become available to emigre intellectuals. Alexander Baring and George Grote also had influence at University College so that it was natural that refugees like Julius Althaus and Kinkel should be welcome, as also Theodore Goldstücker —who though not strictly an exile was too 'liberal' to be welcome in Berlin. Some of the revolutionary emigres who were insufficiently educated to be able to teach accused others, like Kinkel, of pandering to the upper classes by teaching their children, little realizing that it was exactly through the dissemination of their ideology and the introduction of self-doubt in the minds of the rising generation of educated Englishmen, from amongst whom the leaders of the next generation were to be drawn, that the revolutionary movement was to have its most profound success in remodelling English society.

Indeed, it has been argued that the introduction of these liberal, socialist and communist emigre teachers into British schools and colleges during the nineteenth century, following each failed revolution on the continent, played no small role in redirecting the course of British history, and laying the foundation for the liberal-leftist-Marxist tendency in British schools and universities which increased in strength as history moved into the twentieth century.

Author Rosemary Ashton, herself a member of the University College, London, faculty, does not draw all the conclusions that I have pointed to in this review, but is nevertheless to be congratulated on a perceptive and scholarly work, which reveals many details that could only be uncovered by the devotion of a sound research scholar of her caliber.

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J. David Martin
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BOOK REVIEW ARTICLE

THE SOCIO-POLITICAL IMPACT OF "ROCK" MUSIC

By John A. Henderson

YOU SAY YOU WANT A REVOLUTION:
ROCK MUSIC IN AMERICAN CULTURE
Robert G. Pielke
Nelson-Hall Publishers, Chicago, Illinois

Robert Pielke, of the rapidly expanding George Mason University, in Virginia – one of whose economics faculty members was recently awarded a Nobel Prize in Economics – has produced a truly provocative and fascinating work. Seemingly a lover of rock music himself, author Pielke has produced a well-organized and highly informative history of rock music, analysing its lyrics and psychological impact upon its adherents, and showing how that impact has been thoroughly revolutionary from both a cultural and a political point of view.

As one of the Beatles' lyrics goes:

> You say you want a revolution
> Well you know
> We all want to change the world

Pielke claims that America is in the midst of a cultural revolution – indeed, well advanced into it by now – and that this is reflected in many aspects of culture, the arts and music. He believes that music, especially, reflects cultural consciousness and also participates in directing that consciousness. Indeed, one would be wrong in saying that he regards music as reflecting cultural trends, since what he is saying very loudly is that music largely directs social and cultural attitudes. Certainly he succeeds in demonstrating that rock music is intimately associated with the changing morals and ethics of life among the American young.

Firstly, he asks, what is rock music? How does one define it? Rock music has participated in a process of cultural change of historic dimensions, and we all know and recognize rock music. How can it be defined?

Pielke identifies a distinctive rhythmic styling. Rock music

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accentuates the second and fourth beats in 4/4 time. Rolling or boogie-woogie bass is heavily used, and instrumental configuration is also distinctive. Percussion instruments are particularly important. There is a virtually universal use of guitars, and especially of electric guitars. Saxophones usually participate with "honky insistence", and above all sheer volume is emphasized:

> If rhythm, instrumentation, vocal qualities, and lyrics are, at best, only partially helpful in describing something as unquestionably rock, then maybe it is all of these things with the addition of excessive volume . . .

Lyrics, also are distinctive. Rock lyrics almost invariably emphasize "sex, drugs, drinking, rebellion and pleasure, and rock means more than a distinctive musical technique":

> What is wrong is that the musicological approach fails to consider the other components of rock music: the artists and what they intend with their music, the audiences and how they interpret what the artists intend . . .
>
> The term "rock and roll" was not originally intended as a dance reference. Instead, as all of us were more or less vaguely aware, it had to do with sex – plain, raw, and undisguised. Its linkage with dancing was a thinly veiled attempt to make it more acceptable to white America in the mid fifties . . .

At this point the author chooses to introduce Herbert Marcuse, whose views on art and revolution seem to be amply exemplified by rock music:

> If we now reflect on the characteristics of art per se, there's simply no possible conclusion other than to see rock music as revolutionary. Herbert Marcuse had quite a bit to say about art and its relationship to revolution. In his short collection of essays, entitled *Counter-Revolution and Revolt*, he saw the political potential of art in its ability to communicate two things: an "indictment of the established reality" and an encouragement to seek the "goals of liberation" . . .

In the mind of Marcuse, and seemingly also of the author, "revolution is the substance of art" and no art that is not revolutionary can be seen as genuine art. This is the standard by which a Marxist would evaluate art, regarding all forms that do not serve the purpose of revolution as being non-creative and enslaved to the forces of reaction. The purpose of art is to

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negate the established order, destroying its fundamental values, and that – according to Pielke – is exactly what rock has done to the post-World War II Western world.

Having convincingly covered his introductory groundwork, the author now embarks upon a year by year diary of the American political and cultural scene, and the accompanying developments in the world of rock music. Prior to 1945, he says, the American mind was fully occupied with the war, yet with the end of the war:

> . . . songs like "The Honeydripper" by Joe Liggins were beginning to hint at a new set of sexual values. But explicit references like this to the pure joy of sex were at this time confined to the "race" [or black] market. Many unconventional ideas about race, sex, and work kept in check by a unified concentration on the war effort, would now be released, to the chagrin of many.

By 1947, two trends were appearing in the states, the first was an increasing emphasis upon free sex, and the other was a crack in the social wall which hitherto had segregated the races. Dr. Benjamin Spock was arguing that parents should discipline their children less, allowing them to drift freely into whatever social or cultural world they might find engulfing them. Black migration into Northern cities was rising, and black blues music was beginning to become popular amongst whites, especially the younger whites:

> The thinly disguised sexuality of rhythm and blues was becoming more and more open. Black Americans were asserting themselves more clearly in their music than perhaps anywhere else. Both "Shake Your Boogie" (Sonny Boy Williamson) and "We're Gonna Rock, We're Gonna Roll" (Wild Bill Moore) were released; the latter included the first clear reference to "rocking and rolling." A dance reference this was not, unless it is remembered that "dancing" was a euphemism for sex.

Through 1948, desegregation of the American armed forces was proceeding, and the United Nations created the state of Israel. Dr. Kinsey published the first of his "sex reports", challenging traditional convention as to the privacy and propriety of sexual behavior, and in music:

> Continuing the trend toward sexual explicitness, 'Good Rockin' Tonight" by Wynonie Harris was released . . .

Pielke portrays 1949 as another year of revolutionary pro-

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gress in music, with lyrics such as Spo-De-O-Dee replacing a scurrilous phrase about the sexual proclivities of some unspecified mother, and music sessions and lyrics being accompanied by extremely heavy drinking, uninhibited language and uninhibited sexual behavior. In the following year, Pielke reports:

> *Music*. . . . something was happening in white music that would produce significant waves later: the top song of the year was . . . recorded by the Weavers, one member of which, Pete Seeger, was to be blacklisted for his outspoken socialist sympathies. A revolutionary had achieved cultural prominence — through popular music. It would not be the last time for such an occurrence.

The term "rock and roll" was used on the airwaves for the first time in 1951, and now:

> . . . White adolescents were finding in this music a kind of freedom not available to them anywhere else in American society. An underground, barely discernible, halting fascination with black culture was in its infant stages — and rock and roll had presided at the birth.

New titles for rock music were increasingly explicit sexually, "Rock me all night long", "No more Doggin'" and "Middle of the Night" being typical.

1954 was memorable for the Supreme Court's decision to end segregation in all public schools, and the same year the public was presented with the drug-oriented "Doors of Perception" by Alduous Huxley, which was adopted by one of California's rock groups as its sobriquet. Significantly, Marlon Brando's *The Wild One* was released, portraying a motorcycle gang which pillaged a small town, without suffering retribution, thus implying that such behavior was normal and virtually acceptable to society. It was banned in England, but as Pielke comments "something was afoot".

In 1967:

> Opposition to the war and racism continued as cultural negation, while alternative life-styles were affirmed as part of the positive side of the revolution. Communes of every conceivable type were set up, and modifications of the traditional marriage relationship were tried . . . Che Guevara was killed while trying to incite another Cuban-style revolution in Bolivia . . .

The author also indicates the rise of The Beatles, *Hair*, and Sly, with the advent of mixed black/white male/female bands.

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By the early 1970s traditional folk music had also been invaded by revolutionary rock and particularly by revolutionary lyrics. Dylan, Joan Baez, Paxton and Phil Ochs used folk music, still disguised to some extent in traditional musical styles, as a means for spreading revolutionary anti-establishment lyrics amongst those who did not care to listen to rock. In most American towns there was no alternative music beyond rock and folk, so the audience could take it or do without music.

As the author writes:

> . . . in Montgomery, Alabama, Rosa Parks refused to move to the back of a segregated bus, and the bus boycott under the leadership of Martin Luther King, Jr., was underway. The boycott captured the imagination of all those people who had developed a fascination with black culture – through its music . . .
>
> All the ingredients for revolution were now set; America's consciousness was divided and in conflict. A youth culture had developed antagonistic to the traditional culture of the adult world . . . Racism was questioned; sex was seen as good in itself; and the work ethic was considered irrelevant . . .
>
> *Music.* . . . Whenever *Blackboard Jungle* played, rioting was likely, and teenagers often attended just to join in. Slashing seats was common. . .

Author Pielke believes that the music of the 1950s served to "negate the established (social) order," but that with the sixties came:

> . . . the affirmation and clarification of a new set of fundamental values, such as radical individuality, pleasure, pacifism, nonnationalism, and a nonreligious spirituality . . . third Newport Folk Festival [provided] a veritable tour de force of revolutionary expressions ("Blowin' in the Wind" and "The Times They Are a-Changin')" . . . Protest music had now reached its peak . . . Diana Ross was to become the first openly acknowledged black sex fantasy for white males . . .

It was during this period, Pielke reminds us, that the Black Power movement was gaining nationwide attention, as were anti-war protests. Sex and drugs made the news continuously, and the atmosphere was made even more unsettling by the "idealism" of the Red Guards in China, acting out the "Quota-

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tions of Chairman Mao". The musical attack on racism continued to undermine white preferences for sexual segregation from other races.

As the author expressed it:

> . . . With the invention of cheap 45s, authentic communication between the races began to take place. I don't mean to give the impression that white adolescents, en masse, bought into black culture. Hardly. This no doubt would have been quite dramatic, but not altogether significant. What was really significant was the fact that they were truly listening. It shouldn't seem so strange, then, that it was precisely this generation that found itself uncomfortable with the whole ideology of racism and all its attendant beliefs. Not that racism immediately came to an end with the listening to black music. Far from it. But white youth could no longer feel secure with the attitudes bequeathed to them; . . . No, racism didn't magically die with a few records, but at least for the adolescents of the fifties, racist ideology could never again provide one of the unquestioned building blocks of American society.

Regarding sex, too, the revolution had achieved its initial goals. It was at this the time that the spectre of AIDs began to make its appearance in white America, following a relaxation of the ancient taboo against inter-racial sex. As with race, Western society had had strong sexual ethical concepts, seeing sex as a means of propagating the race in accordance with nature, and seeing it as an important social force for the strengthening of marriage and the family, and through the family, the entire stability of society. The new sexual revolution was destroying all that among the young whites, bringing their views on sex and marriage more into line with those of the blacks whose music they were now exposed to without relief. Why did not traditional Western music, with its emphasis upon harmony and tone, rather than crude, repetitive beat, not hold its own? Possibly because the sheer volume of rock damaged the eardrums, making it difficult for those who had been exposed to it to appreciate, properly, some of the finer nuances of classical Western music. But mainly because the media gave them little choice, and prevailing Western mores also said that whatever was new was good. The future was inherently assumed to be better than the past, and all change was to be slavishly accepted

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and identified with progress – even when it implied primarily a reversion to the Stone Age tradition of percussion instruments, and the monotony of unimaginative repetition.

Author Pielke continues:

> A certain kind of record store epitomizes the dialectical relationship between the values of the traditional culture and those of the counterculture. Some features are obvious. In additional to an emphasis on rock music, there are clothing, books, and magazines, all with an identifiable anti-establishment character. Often such record shops sell drug paraphernalia as well. Virtually every city or town has such a store or a chain of such stores.
>
> Thus understood, the counterculture record store functions as a haven, a sanctuary from the established order. To see this, the observer need only witness the discomfort of "straights" who enter this alien environment. If ever there were a litmus test for values, this might be it: a discomfort index for customers. In any case, it is here, if nowhere else, that rock-and-roll recordings can properly be appreciated for what they truly are: the principal means for the dissemination of revolutionary values, the latest form of testimonial.

Many of the older generation, who do not follow rock music, might be surprised at the banality and anti-intellectualism of some of the lyrics, to quote from an example supplied by the author:

> . . . George Clinton . . . was instrumental in funk's emergence as a significant musical and cultural force in the 1970s. One of the marvels of his wizardry is Funkadelic's *One Nation under a Groove* . . .
>
> The world is a toll-free toilet
> our mouths neurological assholes
> and psychologically speaking
> we're in a state of mental diarrhea
> talking shit a mile a minute
>
> . . . *Ask Rufus* the same year has one of the most haunting beautiful instrumentals I've ever heard, "Slow Screw against the Wall," using nothing but strings (followed by an eighteen-second explosion of funk, "A^b Fry") – a subtle but forceful message that racial harmony is possible . . .
>
> Then there was (and still is) Stevie Wonder, whose

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adopted surname is one of the true understatements in rock . . .

Indeed, the sexual revolution was not merely a matter of destroying the barriers to free sex between males and females. It also lowered the barriers to the public practice of homosexual relations, and of intra-racial sex:

> Homosexuals and bisexuals have had perhaps the most difficult time achieving self-identity to say nothing of self-actualization. During the interim, however, they came out of their closets as never before, forcing the rest of society to look at them, acknowledge their presence . . . Their greatest visibility came initially in the resurgent dance clubs, the discotheques found in almost every large American city; although, certainly, not everyone attracted to these clubs was gay. The new dance had its own intrinsic appeal . . . "Coming out" could thus become part of the show, and the club could be a place where gay and straights could mingle with equality. On the dance floor, all things seemed possible.

Enough said, perhaps, to convey the penetrating significance of Pielke's work. This is perhaps one of the most straightforward, well-documented and revealing books to be published in this decade. It deserves at the very least a careful perusal, and can truly can be read to advantage by rock-lovers as well as by rock-haters.

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ORIGINS AND DEVELOPMENT OF WEST GERMAN MILITARY THOUGHT Vol. 1 1949-1966
Julian Lider
Gower Publishing Company, Brookfield, Vermont

As Volume One of a two-part work, Julian Lider has produced a sound and well-researched work under this title. She does not attempt to investigate the long history of German military thought through the centuries, but takes up the story in the crucial year 1949. However, in her introduction she does look back briefly to the pre-World War II scene, and notes that the traditional German military was relatively receptive, from an early period, to the National Socialists, if for no other reason than that the Weimar government was unpalatable to the military class:

> . . . in the definite opinion of these analysts the Weimar Republic did not believe in the army, they discredited it, they exaggerated its unfriendly attitude towards the democratic state, they slandered it. The state, on the other hand, provided a discouraging example of anarchy, inter-party struggle, weakness and indecision . . .

Influenced by the nationalist tradition of Clausewitz, West German military leaders, after World War II, were asked to serve not so much the personal interest of their own nation, as to participate as subordinates in a joint allied scheme of defense against the Soviet Union. Meanwhile, in East Germany, the Soviets were attempting to persuade their defeated and now captive former enemies that Clausewitz's theory was an extension of class warfare, and that war was a logical extension of class conflict, something alien to Clausewitz's nation-state doctrine, which saw the state as indivisible and inherently loyal to its own people. This interpretation was devised by Marxists in an attempt to divert the loyalty of the East German military to the service of revolutionary conflict.

The problem facing West German military leaders, even though these were carefully handpicked after World War II in an attempt to exclude the traditional military class, was clear even to the allies, and an appropriate effort was made by pro-allied strategists to interpret Clausewitzian theory in a form

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appropriate to NATO goals:

> When Clausewitz was 'rediscovered' as a theorist of war, West Germany military analysts presented a number of ideas concerning the nature of military force *as they saw it implied* in Clausewitz's reflections on war and politics. First, Clausewitz was said to view military force as a permanent social institution, without which no policy can be waged. Even the most reasonable policy, aimed at the prevention of war, must use military force as an instrument of power in any negotiations, in any bargaining for the resolution of political conflicts, in any economic or ideological rivalry and, naturally, as a means of last resort when open war seems inevitable.
>
> Second, military force, like politics, is an instrument of the nation-state. Since the state represents a homogeneous society, so also does military force. Thus West German military researchers attempted to combine two assumptions: (1) that the main danger to Germany's security lies in the world rivalry between two contrary ideologies and two antagonistic camps; and (2) that the nation-state remains the chief protagonist in international relations and military policy. The Clausewitzian philosophy of war was wholly based on the concept of the nation-state as the subject of war and this idea was stressed by his 'rediscoverers'. As a corollary, the emphasis on the need to build a military western alliance as a counterpart to the Eastern bloc alliance was seen in conjunction with an increasing need to build up a national West German force.

The task was not easy, since the recruits to the newly formed Germany army of the post-war period could not easily forget the fact that their new allies were until recently their antagonists:

> Germany's future allies had destroyed Germany in the past, had created a power-vacuum in Europe and had paved the way for the Soviet Union. It was now necessary to revise the alliance so as to include Germany. West Germany would be able to contribute its enormous military experience . . .

The problem was overcome, largely due to the fact that the threat from the Communist East was clear. Germany had fought World War II against communism, and the German army officers who had attempted a coup against National Socialism in

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the closing days of the war had done so in the misguided belief that the West might be prepared to come to a conditional armistice with Germany, in order to combine against communism – something which history now shows was but a dream. However that might have been, at least the allied approach to Germany, seeking it to rearm and become a partner of the West, implied that the Germans had been right about communism all the time, and that the West was now waking up to realities. Thus it was not too difficult for Germans to put their pride behind them, and agree to participate in NATO. Certainly in so far as NATO would defend Germany, the choice was clear. Difficulties only arose when it became apparent that many of NATO's choice strategies would leave Germany as a wasteland in the event of war with the East. Also, Germany was not to be armed as an equal to the allies. Its airforce was heavily restricted, and nuclear weapons, for example, were to be totally withheld.

Generally the strategic problems facing NATO, which caused deep concern for the Germans, might be summarized as follows:

> 1 The initial strategy [of using nuclear weapons as a threat to deter conventional aggression] was unrealistic since retaliatory nuclear destruction with strategic weapons could in the future be inflicted on another nuclear power only in retaliation to nuclear aggression and only in such a case would the threat of nuclear retaliation have lasting credibility and deterring effect.
>
> 2 Defence against a non-nuclear aggression in Europe with the aid of tactical nuclear weapons would most probably result in widespread destruction in Europe and certainly in Germany. Thus a policy of deterrence based on such a threat would not be credible.
>
> 3 However, a conventional defence of Europe against non-nuclear aggression, and therefore a conventional form of deterrence, is possible. It requires a revision of the strategic doctrine and changes in the defence structure.
>
> 4 Generally, the threat of weapons is effective only if there is no doubt on either side that they will be used for defence, if necessary. Therefore the military strategies developed in peacetime for their deterrent effect, and used as a threat, must be completely congruent with the strategies to be used in actual defence operations. Any gap between the damage which is merely threatened, and that

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which is actually to be carried out, can induce a potential aggressor to act.

Primarily, the Germans remained, during the mid-60s, when this Volume terminates, fearful of that element of NATO thinking that advocated an initial withdrawal in the event of a Soviet attack, followed by a counter-attack, as being the only possible answer to a non-nuclear surprise attack by the Soviets. As the German military leaders argued, this meant an initial abandonment of Germany to the Soviets, then the use of German soldiers to re-invade Germany. The effect, which might be tolerable for the allies, was hardly acceptable to the German military since this meant the virtually total destruction of their own homeland.

We shall took forward with interest to the next volume.

CLAMOR AT THE GATES:
THE NEW AMERICAN IMMIGRATION
Nathan Glazer, editor
Institute for Contemporary Studies, San Francisco

Published before the passage of the latest U.S. immigration legislation, which legitimizes the ten to twenty million illegal immigrants who are already working in the United States (as well as all future illegal immigrants who can obtain forged evidence that they had been employed in the United States for the requisite period prior to the deadline set by the new law), this survey recognizes the enormous numbers of Third World residents seeking admission to the United States. The author asks what can and should be the reaction of the U.S. government.

He claims that a nation or political state must have the right to close its borders to immigrants, not merely for survival's sake, but in order to exercise its basic right to determine its own future:

> If the idea of community is "the central concept of politics," as Carl Friedrich believed, it follows that immigration law is one of the polity's chief architects. Immigration law prescribes the composition and shape of the political community, and its design inevitably influences future generations. Immigration law seeks to answer the very first questions that any society must put to itself: What are we? What do we wish to become? . . .

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What is more, Glazer realistically notes that nationhood is not the same as statehood. A state is nothing more than a single government controlling a specific geographically defined area, whereas a nation is a group of people who feel that they are united by common descent, heritage and destiny. A state whose people do not feel themselves to be members of a single nation will have serious problems with "minorities" who will believe themselves to be underprivileged or oppressed:

> But even a liberal nation has powerful propensities to exclude. The very idea of nationood implies a coherence of shared traditions, experiences, and values — a national community. This community defines itself in ways that are often parochial, exclusionary, and inward-turning; by affirming a core of common commitments, it sets the nation apart from, if not above, the rest of humanity . . .

Prior to the relaxation of U.S. immigration laws, U.S. citizens mostly saw themselves as members of a single dominant nation, possessing a few small minorities. They emphasized, however, the rights of individuals to possess property, and believed that as a nation they had the right to exclude aliens from their national territory:

> From the inception of restrictive immigration law in the 1880s to the early 1980s, American law defined individual and governmental sovereignty very broadly. Individuals' sovereignty was protected through an array of private property rights, including the right to exclude trespassers and those who had entered upon the owner's property with his permission but had then violated the conditions under which the permission was originally granted. Moreover, the owner owed no duty to trespassers, except to refrain from willfully injuring them or using unreasonable force in their expulsion. The owner was ruler over his domain; his home, as the saying goes, was his castle . . .

Glazer himself seems ready and willing to accept a basic change in the ethnic character of the United States, but sees the traditional minorities of America, especially the blacks, as likely to suffer from uncontrolled future immigration. Proponents of free trade (and free immigration) see immigration as economically beneficial, breaking down union limitations on economic development and lowering wages in the U.S. But Glazer asks, is this fair to the existing American population,

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especially to the old-established minorities? Will the new immigration bring with it a new dimension to the race problem, with black Americans resenting competition both economically and politically, from the new Hispanic, East Indian and even new African immigrant communities? Recent conflicts between black Americans and Asian food store owners indicate that this might be the case. Glazer warns against wild dreams:

> . . . One is that free-market principles, in people as well as goods, should dominate, and the best of all possible worlds will ensue if we exercise the least control. Is that truly so? Do our black and minority populations agree with that? Are those concerned to create a flood of decent labor conditions and reasonable income convinced of that?

TALCOTT PARSONS
ON ECONOMY AND SOCIETY
Robert J. Holton and Brian S. Turner
Routledge & Kegan Paul, New York

Talcott Parsons made important and lasting contributions in almost every area of modern sociology. His work represents a serious and critical commentary on various individual and social issues within industrial societies, and he was the first sociologist to approach the issue of modernity without a nostalgic commitment to utopian communalism. Parsons has been described as a proponent of structural functionalism in so far as he believed that a healthy society must maintain relatively stable institutions, which inter-relate efficiently with each other, and social change must be evolutionary rather than revolutionary — a concept which was developed to a sophisticated level by Pitirim Sorokin, and it is rather surprising that the author makes no reference to Sorokin's influence in this work. However, this study presents a critical elaboration and extension of Parsonian preoccupations beyond the point where Parsons himself took them, and at the same time redefines the challenges facing contemporary social thought.

Holton and Turner outline the applications and relevance of Parsons to an analysis of modern society, and evaluate the empirical and theoretical merits of Parsons' perspective in

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sociology. They link analysis of a number of major areas in Parsons' work — economic sociology and normative order, medical sociology and professionalisation, inter-subjectivity and the phenomenology of social action — to new areas of theoretical debate and empirical inquiry. In particular they make a plea for a sociology of the modern world, pointing beyond the conventional myths of Comtean sociology to the problems confronting the late twentieth-century world. Parsons' work is a major starting point for the reorientation of sociology towards these issues, and this analysis of his achievement is a useful contribution to the current re-evaluation of his influence on modern sociology.

WORLD ECONOMIC GROWTH

Arnold C. Harberger
Institute for Contemporary Studies, San Francisco

A collection of papers dealing with economic development 'case histories' from around the world. The work of many different contributors, this volume provides a useful account of recent world economic history.

Topics covered include the following: Economic policy and performance in Britain since World War II; Japan's growth "problem"; Economic growth in Sweden; from economic miracle to stagnation, the German Disease'; U.S. stabilization policy (U.S. economy since WWII); Tanzania, Phoenix or Icarus; Ghana, missed opportunities; Indonesian economic growth; Jamaica, liberalization, centralization, and back?; Taiwan's economic miracle; Mexico's path from stability to inflation; Uraguay's erratic growth. The text concludes with chapters on problems of liberalization and economic policy and growth.

It is a rather sickening symbol of the twentieth century that almost every economic text discusses the problem of maximizing economic output and very little else, unless it is the equal distribution of wealth regardless of who produced it. Interestingly, this is a change from the earlier part of the century, when in a world of relative prosperity economists of a leftist persuasion wrote continuously about the problem of redistributing wealth, or "cutting the cake" as it was called — as though the

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world was enjoying some kind of tea party, sitting around an economic cake which just happened to be there, and would automatically continue to reappear for similar tea parties in future years (note that it was a cake and not a bowl of rice, a choice of symbolism which itself implied economic surpluses rather than the need for subsistence). In a sense, it has been the misleading emphasis upon 'distributional justice' that contributed many of the problems of poverty that oppress the world today, and have led even leftist economists to emphasize greater productivity.

The prime justification for the economist's blind emphasis on productivity, rather than on other qualities essential to natural well-being and survival, is the economic stress caused by the world population explosion, an event from which little good can come – and much evil if it continues uncontrolled. But there is a dark side to the preoccupation with productivity, and that is the quality of life. Over-emphasis upon productivity tends to relegate human beings to the status of mere consumers, and this makes sound sense if one is a Marxist, but not if one believes there is something else in life other than the consumption of wealth. Since the basic law of the universe is fitness to survive, and economic wealth represents not merely consumption, but also control over resources, and consequently competitive survival ability, one should not ignore productivity. What is really dangerous is a preoccupation with productivity as nothing more than a means to greater consumption – to the detriment of the long-term intergenerational health of the nation.

We can readily agree with editor Arnold Harberger's conclusion that "the most profound lesson that emerges from the reviews in this volume of the experience of the more advanced countries is simply that from the standpoint of economic criteria, goverments can grow too big. The country with the most favorable growth experience – Japan – is the one with the smallest public sector; those with the least favorable growth – Sweden and the United Kingdom – have the largest public sectors relative to the size of their economies. More direct evidence is provided by the studies of Sweden and Germany; in both cases the authors attribute the progressive decline in the rate of economic growth to the increasing size of governent and the growing pervasiveness with which it impinges on the private sector.

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OCEANIA AND THE UNITED STATES: An Analysis of US Interests and Policy in the South Pacific

John C. Dorrance
The National Defense University, Washington, D.C.

Oceania, the myriad island-states dotting a 25-million square mile expanse of the South Pacific, rarely commands worldwide attention. Since the historic battle of World War II, change in the area has been peaceful, local politics have been stable, and relations between the United States and the various governments have been friendly. Nevertheless, there have been recent social, political, and economic changes which suggest the desirability of a reassessment of U.S. interests.

In this monograph, John Dorrance provides a thorough analysis of the political environment and the policy issues in the South Pacific and identifies destabilizing factors, such as the continuing process of decolonization. This phenomenon has implications for the region as a whole, including the several remaining U.S. territorial possessions. The potential for some form of Soviet presence in the area in the 1980s presents another possible destabilizing element. Mr. Dorrance also discusses other issues such as: access to sea resources; changing leadership patterns and internal economic problems; proximity to strategic sea lanes; and U.S. relations with allies on the periphery of the region.

MAN AND LAND IN CHINESE HISTORY: AN ECONOMIC ANALYSIS

Kang Chao
Stanford University Press, Stanford, California

A bold and sweeping new interpretation of Chinese economic history emerges from this analysis of two millennia of economic development in traditional China. Rejecting dynastic, positivist, and Marxian views, the author argues that since 200 B.C. China was a market economy consisting of countless small production units – either freeholders or tenants. This market economy was characterized by mobility of labor, private ownership of land and other assets, work specialization, widespread exchange of goods, and a ubiquitous price system. However, economic progress in China was halted primarily by

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the weight of overpopulation, which has in China constantly pressed upon the limits of production. Even slavery, with the responsibility that it involves in a family or household setting to the welfare of the enslaved, became too costly:

> Because of continued population expansion, the Ming dynasty witnessed a dramatic change in the nature of agricultural institutions. This change took two forms. First, a decline in the marginal production of slaves relative to the high cost of using them, together with the government restrictions against slaveowning by ordinary households, caused a decrease in relative importance, if not in the absolute numbers of slaves as a source of agricultural labor. As an interim step, many households converted their slaves and hereditary servants into *tien p'u* (tenant-servants).

The freeholders and tenants were subject to one dominant constraint, limited land for cultivation. The author shows how they had to adjust their economic choices and decisions to respond to an increasing man-land ratio as population pressure gradually increased through the centuries. He sees the twelfth century as the crucial turning point. Overpopulation led to far-reaching changes in farmland size, tenure and cropping systems, and farming technology as Chinese agriculture shifted to labor-intensive farming. Although it has often been labeled the culprit, it was not the unequal distribution of land but the increasing man-land ratio that produced China's impoverishment.

> The other profound impact of overpopulation was on the technological preference of producers. Again, the twelfth century may serve as the approximate line dividing two patterns of technological orientation in the agricultural history of China. Up to that time there had been a flow of invention of new farm implements, including the improved plow that required less draft power, the share-plow that could turn over the sod to form a furrow, and the deep-tooth harrow. All of these devices were labor saving by nature. This stream of inventions had run its course by the end of the twelfth century. According to Dwight Perkins, 77 different kinds of farm implements, not including irrigation equipment, were listed in Wang Chen's *Nung Shu* (Treatise on Agriculture), published in 1313; of these devices, all but one were also included in

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agricultural handbooks published several hundred years later. Perkins is right in saying that to assume that Chinese peasants were either too conservative or too unimaginative to try new tools is inconsistent with the fact that they were quite capable of developing such a range of new implements. As a matter of fact, the Chinese people not only did not invent any new implements in the later period, they rejected the mechanical principles that were introduced to China by foreign missionaries during the Ming-Ch'ing and that could be easily embodied in farm implements. Obviously, this is not a sign of lack of inventiveness but rather of changed technological preference.

The technological development of farm tools in China literally stopped. Implements used in the thirteenth century were still in use in the early twentieth century. The few new tools invented during this time interval were the so-called hand tools (*shou-kung-chü*) that were employed to replace animal-drawn implements. Labor-intensive in nature, they represented a backward trend in technological preference.

The author identifies overpopulation as an answer to the question of what caused China to stagnate technologically after a brilliant beginning. Overpopulation induced the adoption of more labor-intensive technology and labor-absorbing institutions, which in turn raised the tolerance for overpopulation. In a sense, there was a race between population growth and technological advancement, and population growth won.

REPRODUCTIVE CHANGE IN DEVELOPING COUNTRIES: Insights from the World Fertility Survey
edited by John Cleland & John Hobcraft
Oxford University Press, New York, London, Toronto

The World Fertility Survey is the largest social survey ever undertaken. Over 400,000 women of reproductive age from forty-two developing and twenty developed countries have been intensively interviewed concerning their marriages, childbearing, family limitation views and practices, and personal background. It is clear from the results that major gains in our knowledge and understanding of demographic processes in the contemporary Third World have resulted from the Survey whose operational period (1974-1982) coincided with the emergence of new trends in fertility behavior which are of the utmost

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importance to the future of mankind.

Some of the results of this close analysis have upset prevailing concepts regarding fertility control, as for example, the relationship between education and higher living standards and fertility:

> . . . a closer look at the data suggests that rising education may not be a panacea for high fertility. The inverse relationship between parental education and fertility exhibits many variations. Modest increases in exposure to formal schooling do not always lead to lower fertility. In many WFS countries, a few years of schooling is conducive to a slight rise in fertility, as compared to the level of uneducated couples. This is true, for instance, of Indonesia, Kenya, Pakistan, Philippines, and North Sudan. The reason is not that such couples desire more children or are less ready to use contraception. On the contrary they report higher levels of contraceptive use than uneducated couples. The reason for their higher fertility lies partly in shortened lactation which offsets the contraceptive effect and, in some societies, in greater marital stability. A detailed analysis suggests that other factors, not captured in survey results, are also at work. Possibly, better nutrition and health, leading to a lower level of spontaneous foetal loss, or higher coital frequency play a part. Furthermore, in some parts of Africa, a lower level of polygamy among women with some primary schooling may have a pronatalist effect, as does shortening of the period of postnatal sexual abstinence.

The central purpose of this book is to present and assess the role which the World Fertility Survey has played in documenting and understanding these trends. It is the first time that these new results have been placed in a broad perspective of scientific knowledge and theory, and policy relevance.

The book is divided into two main sections: a short first section which covers the operational strategy and methodology of the World Fertility Survey programme, and a second section which is devoted to results. Each chapter takes the form of a reflective essay, concentrating on the issues of fundamental importance and exploring the value and limitations of the contribution made by the World Fertility Survey. The presentation of the detailed numerical findings is kept to a minimum.

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INTELLIGENCE AND NATIONAL ACHIEVEMENT

Editor
Raymond B. Cattell

CONTENTS

The Role of Psychological Testing in Educational Performance: The Validity of Ability Predictions
Raymond B. Cattell
Distinguished Research Professor Emeritus, University of Illinois

Test Scores as Measures of Human Capital and Forecasting Tools
Barbara Lerner
Princeton, New Jersey

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  T. Siddhama
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  Umberto Melotti
  University of Pavia
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  Georgio Marcuzzi et al
  University of Padova
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  C.W. Post College
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  Wolkmar Weiss
  Central Institute for Youth Research, DDR
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  Robert K. Graham
  Repository for Germinal Choice
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  University of Plovdiv

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